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THE ABRIDGMENT 1914

CONTAINING THE ANNUAL ADDRESS OF THE PRESIDENT OF THE UNITED STATES TO THE TWO HOUSES OF CONGRESS

63D CONGRESS, 3D SESSION

WITH REPORTS OF DEPARTMENTS AND SELECTIONS FROM ACCOMPANYING PAPERS

IN TWO VOLUMES

VOL. I

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ANNUAL ADDRESS (MESSAGE) OF THE PRESIDENT.

GENTLEMEN OF THE CONGRESS:

The session upon which you are now entering will be the closing session of the Sixty-third Congress, a Congress, I venture to say, which will long be remembered for the great body of thoughtful and constructive work which it has done, in loyal response to the thought and needs of the country. I should like in this address to review the notable record and try to make adequate assessment of it; but no doubt we stand too near the work that has been done and are ourselves too much part of it to play the part of historians toward it.

Our program of legislation with regard to the regulation of business is now virtually complete. It has been put forth, as we intended, as a whole, and leaves no conjecture as to what is to follow. The road at last lies clear and firm before business. It is a road which it can travel without fear or embarrassment. It is the road to ungrudged, unclouded success. In it every honest man, every man who believes that the public interest is part of his own interest, may walk with perfect confidence.

Moreover, our thoughts are now more of the future than of the past. While we have worked at our tasks of peace the circumstances of the whole age have been altered by war. What we have done for our own land and our own people we did with the best that was in us, whether of character or of intelligence, with sober enthusiasm and a confidence in the principles upon which we were acting which sustained us at every step of the difficult undertaking; but it is done. It has passed from our hands. It is now an established part of the legislation of the country. Its usefulness, its effects will disclose themselves in experience. What chiefly strikes us now, as we look about us during these closing days of a year which will be forever memorable in the history of the world, is that we face new tasks, have been facing them these six months, must face them in the months to come,—face them without partisan feeling, like men who have forgotten everything but a common duty and the fact that we are representatives of a great people whose thought is not of us but of what America owes to herself and to all mankind in such circumstances as these upon which we look amazed and anxious.

War has interrupted the means of trade not only but also the processes of production. In Europe it is destroying men and

resources wholesale and upon a scale unprecedented and appalling. There is reason to fear that the time is near, if it be not already at hand, when several of the countries of Europe will find it difficult to do for their people what they have hitherto been always easily able to do,—many essential and fundamental things. At any rate, they will need our help and our manifold services as they have never needed them before; and we should be ready, more fit and ready than we have ever been.

It is of equal consequence that the nations whom Europe has usually supplied with innumerable articles of manufacture and commerce of which they are in constant need and without which their economic development halts and stands still can now get only a small part of what they formerly imported and eagerly look to us to supply their all but empty markets. This is particularly true of our own neighbors, the States, great and small, of Central and South America. Their lines of trade have hitherto run chiefly athwart the seas, not to our ports but to the ports of Great Britain and of the older continent of Europe. I do not stop to inquire why, or to make any comment on probable causes. What interests us just now is not the explanation but the fact, and our duty and opportunity in the presence of it. Here are markets which we must supply, and we must find the means of action. The United States, this great people for whom we speak and act, should be ready, as never before, to serve itself and to serve mankind: ready with its resources, its energies, its forces of production, and its means of distribution.

It is a very practical matter, a matter of ways and means. We have the resources, but are we fully ready to use them? And, if we can make ready what we have, have we the means at hand to distribute it? We are not fully ready; neither have we the means of distribution. We are willing, but we are not fully able. We have the wish to serve and to serve greatly, generously; but we are not prepared as we should be. We are not ready to mobilize our resources at once. We are not prepared to use them immediately and at their best, without delay and without waste.

To speak plainly, we have grossly erred in the way in which we have stunted and hindered the development of our merchant marine. And now, when we need ships, we have not got them. We have year after year debated, without end or conclusion, the best policy to pursue with regard to the use of the ores and forests and water powers of our national domain in the rich States of the West, when we should have acted; and they are still locked up. The key is still turned upon them, the door shut fast at which thousands of vigorous men, full of initiative, knock clamorously for admittance. The water power of our navigable streams outside the national domain also, even in the eastern States, where we have worked and planned

for generations, is still not used as it might be, because we will and we won't; because the laws we have made do not intelligently balance encouragement against restraint. We withhold by regulation.

I have come to ask you to remedy and correct these mistakes and omissions, even at this short session of a Congress which would certainly seem to have done all the work that could reasonably be expected of it. The time and the circumstances are extraordinary, and so must our efforts be also.

Fortunately, two great measures, finely conceived, the one to unlock, with proper safeguards, the resources of the national domain, the other to encourage the use of the navigable waters outside that domain for the generation of power, have already passed the House of Representatives and are ready for immediate consideration and action by the Senate. With the deepest earnestness I urge their prompt passage. In them both we turn our backs upon hesitation and makeshift and formulate a genuine policy of use and conservation, in the best sense of those words. We owe the one measure not only to the people of that great western country for whose free and systematic development, as it seems to me, our legislation has done so little, but also to the people of the Nation as a whole; and we as clearly owe the other in fulfillment of our repeated promises that the water power of the country should in fact as well as in name be put at the disposal of great industries which can make economical and profitable use of it, the rights of the public being adequately guarded the while, and monopoly in the use prevented. To have begun such measures and not completed them would indeed mar the record of this great Congress very seriously. I hope and confidently believe that they will be completed.

And there is another great piece of legislation which awaits and should receive the sanction of the Senate: I mean the bill which gives a larger measure of self-government to the people of the Philippines. How better, in this time of anxious questioning and perplexed policy, could we show our confidence in the principles of liberty, as the source as well as the expression of life, how better could we demonstrate our own self-possession and steadfastness in the courses of justice and disinterestedness than by thus going calmly forward to fulfill our promises to a dependent people, who will now look more anxiously than ever to see whether we have indeed the liberality, the unselfishness, the courage, the faith we have boasted and professed. I can not believe that the Senate will let this great measure of constructive justice await the action of another Congress. Its passage would nobly crown the record of these two years of memorable labor.

But I think that you will agree with me that this does not complete the toll of our duty. How are we to carry our goods to the

empty markets of which I have spoken if we have not the ships? How are we to build up a great trade if we have not the certain and constant means of transportation upon which all profitable and useful commerce depends? And how are we to get the ships if we wait for the trade to develop without them? To correct the many mistakes by which we have discouraged and all but destroyed the merchant marine of the country, to retrace the steps by which we have, it seems almost deliberately, withdrawn our flag from the seas, except where, here and there, a ship of war is bidden carry it or some wandering yacht displays it, would take a long time and involve many detailed items of legislation, and the trade which we ought immediately to handle would disappear or find other channels while we debated the items.

The case is not unlike that which confronted us when our own continent was to be opened up to settlement and industry, and we needed long lines of railway, extended means of transportation prepared beforehand, if development was not to lag intolerably and wait interminably. We lavishly subsidized the building of transcontinental railroads. We look back upon that with regret now, because the subsidies led to many scandals of which we are ashamed; but we know that the railroads had to be built, and if we had it to do over again we should of course build them, but in another way. Therefore I propose another way of providing the means of transportation, which must precede, not tardily follow, the development of our trade with our neighbor states of America. It may seem a reversal of the natural order of things, but it is true, that the routes of trade must be actually opened—by many ships and regular sailings and moderate charges—before streams of merchandise will flow freely and profitably through them.

Hence the pending shipping bill, discussed at the last session but as yet passed by neither House. In my judgment such legislation is imperatively needed and can not wisely be postponed. The Government must open these gates of trade, and open them wide; open them before it is altogether profitable to open them, or altogether reasonable to ask private capital to open them at a venture. It is not a question of the Government monopolizing the field. It should take action to make it certain that transportation at reasonable rates will be promptly provided, even where the carriage is not at first profitable; and then, when the carriage has become sufficiently profitable to attract and engage private capital, and engage it in abundance, the Government ought to withdraw. I very earnestly hope that the Congress will be of this opinion, and that both Houses will adopt this exceedingly important bill.

The great subject of rural credits still remains to be dealt with, and it is a matter of deep regret that the difficulties of the subject have seemed to render it impossible to complete a bill for passage

at this session. But it can not be perfected yet, and therefore there are no other constructive measures the necessity for which I will at this time call your attention to; but I would be negligent of a very manifest duty were I not to call the attention of the Senate to the fact that the proposed convention for safety at sea awaits its confirmation and that the limit fixed in the convention itself for its acceptance is the last day of the present month. The conference in which this convention originated was called by the United States; the representatives of the United States played a very influential part indeed in framing the provisions of the proposed convention; and those provisions are in themselves for the most part admirable. It would hardly be consistent with the part we have played in the whole matter to let it drop and go by the board as if forgotten and neglected. It was ratified in May last by the German Government and in August by the Parliament of Great Britain. It marks a most hopeful and decided advance in international civilization. We should show our earnest good faith in a great matter by adding our own acceptance of it.

There is another matter of which I must make special mention, if I am to discharge my conscience, lest it should escape your attention. It may seem a very small thing. It affects only a single item of appropriation. But many human lives and many great enterprises hang upon it. It is the matter of making adequate provision for the survey and charting of our coasts. It is immediately pressing and exigent in connection with the immense coast line of Alaska, a coast line greater than that of the United States themselves, though it is also very important indeed with regard to the older coasts of the continent. We can not use our great Alaskan domain, ships will not ply thither, if those coasts and their many hidden dangers are not thoroughly surveyed and charted. The work is incomplete at almost every point. Ships and lives have been lost in threading what were supposed to be well-known main channels. We have not provided adequate vessels or adequate machinery for the survey and charting. We have used old vessels that were not big enough or strong enough and which were so nearly unseaworthy that our inspectors would not have allowed private owners to send them to sea. This is a matter which, as I have said, seems small, but is in reality very great. Its importance has only to be looked into to be appreciated.

Before I close may I say a few words upon two topics, much discussed out of doors, upon which it is highly important that our judgments should be clear, definite, and steadfast?

One of these is economy in government expenditures. The duty of economy is not debatable. It is manifest and imperative. In the appropriations we pass we are spending the money of the great

people whose servants we are,—not our own. We are trustees and responsible stewards in the spending. The only thing debatable and upon which we should be careful to make our thought and purpose clear is the kind of economy demanded of us. I assert with the greatest confidence that the people of the United States are not jealous of the amount their Government costs if they are sure that they get what they need and desire for the outlay, that the money is being spent for objects of which they approve, and that it is being applied with good business sense and management.

Governments grow, piecemeal, both in their tasks and in the means by which those tasks are to be performed, and very few Governments are organized, I venture to say, as wise and experienced business men would organize them if they had a clean sheet of paper to write upon. Certainly the Government of the United States is not. I think that it is generally agreed that there should be a systematic reorganization and reassembling of its parts so as to secure greater efficiency and effect considerable savings in expense. But the amount of money saved in that way would, I believe, though no doubt considerable in itself, running, it may be, into the millions, be relatively small,—small, I mean, in proportion to the total necessary outlays of the Government. It would be thoroughly worth effecting, as every saving would, great or small. Our duty is not altered by the scale of the saving. But my point is that the people of the United States do not wish to curtail the activities of this Government; they wish, rather, to enlarge them; and with every enlargement, with the mere growth, indeed, of the country itself, there must come, of course, the inevitable increase of expense. The sort of economy we ought to practice may be effected, and ought to be effected, by a careful study and assessment of the tasks to be performed; and the money spent ought to be made to yield the best possible returns in efficiency and achievement. And, like good stewards, we should so account for every dollar of our appropriations as to make it perfectly evident what it was spent for and in what way it was spent.

It is not expenditure but extravagance that we should fear being criticized for; not paying for the legitimate enterprises and undertakings of a great Government whose people command what it should do, but adding what will benefit only a few or pouring money out for what need not have been undertaken at all or might have been postponed or better and more economically conceived and carried out. The Nation is not niggardly; it is very generous. It will chide us only if we forget for whom we pay money out and whose money it is we pay. These are large and general standards, but they are not very difficult of application to particular cases.

The other topic I shall take leave to mention goes deeper into the principles of our national life and policy. It is the subject of national defense.

It can not be discussed without first answering some very searching questions. It is said in some quarters that we are not prepared for war. What is meant by being prepared? Is it meant that we are not ready upon brief notice to put a nation in the field, a nation of men trained to arms? Of course we are not ready to do that; and we shall never be in time of peace so long as we retain our present political principles and institutions. And what is it that it is suggested we should be prepared to do? To defend ourselves against attack? We have always found means to do that, and shall find them whenever it is necessary without calling our people away from their necessary tasks to render compulsory military service in times of peace.

Allow me to speak with great plainness and directness upon this great matter and to avow my convictions with deep earnestness. I have tried to know what America is, what her people think, what they are, what they most cherish and hold dear. I hope that some of their finer passions are in my own heart,—some of the great conceptions and desires which gave birth to this Government and which have made the voice of this people a voice of peace and hope and liberty among the peoples of the world, and that, speaking my own thoughts, I shall, at least in part, speak theirs also, however faintly and inadequately, upon this vital matter.

We are at peace with all the world. No one who speaks counsel based on fact or drawn from a just and candid interpretation of realities can say that there is reason to fear that from any quarter our independence or the integrity of our territory is threatened. Dread of the power of any other nation we are incapable of. We are not jealous of rivalry in the fields of commerce or of any other peaceful achievement. We mean to live our own lives as we will; but we mean also to let live. We are, indeed, a true friend to all the nations of the world, because we threaten none, covet the possessions of none, desire the overthrow of none. Our friendship can be accepted and is accepted without reservation, because it is offered in a spirit and for a purpose which no one need ever question or suspect. Therein lies our greatness. We are the champions of peace and of concord. And we should be very jealous of this distinction which we have sought to earn. Just now we should be particularly jealous of it, because it is our dearest present hope that this character and reputation may presently, in God's providence, bring us an opportunity such as has seldom been vouchsafed any nation, the opportunity to counsel and obtain peace in the world and reconciliation and a healing settlement of many a matter that has cooled and interrupted the friendship of nations. This is the time above all others when we should wish and resolve to keep our strength by self-possession, our influence by preserving our ancient principles of action.

From the first we have had a clear and settled policy with regard to military establishments. We never have had, and while we retain our present principles and ideals we never shall have, a large standing army. If asked, Are you ready to defend yourselves? we reply, Most assuredly, to the utmost; and yet we shall not turn America into a military camp. We will not ask our young men to spend the best years of their lives making soldiers of themselves. There is another sort of energy in us. It will know how to declare itself and make itself effective should occasion arise. And especially when half the world is on fire we shall be careful to make our moral insurance against the spread of the conflagration very definite and certain and adequate indeed.

Let us remind ourselves, therefore, of the only thing we can do or will do. We must depend in every time of national peril, in the future as in the past, not upon a standing army, nor yet upon a reserve army, but upon a citizenry trained and accustomed to arms. It will be right enough, right American policy, based upon our accustomed principles and practices, to provide a system by which every citizen who will volunteer for the training may be made familiar with the use of modern arms, the rudiments of drill and maneuver, and the maintenance and sanitation of camps. We should encourage such training and make it a means of discipline which our young men will learn to value. It is right that we should provide it not only, but that we should make it as attractive as possible, and so induce our young men to undergo it at such times as they can command a little freedom and can seek the physical development they need, for mere health's sake, if for nothing more. Every means by which such things can be stimulated is legitimate, and such a method smacks of true American ideas. It is right, too, that the National Guard of the States should be developed and strengthened by every means which is not inconsistent with our obligations to our own people or with the established policy of our Government. And this, also, not because the time or occasion specially calls for such measures, but because it should be our constant policy to make these provisions for our national peace and safety.

More than this carries with it a reversal of the whole history and character of our polity. More than this, proposed at this time, permit me to say, would mean merely that we had lost our self-possession, that we had been thrown off our balance by a war with which we have nothing to do, whose causes can not touch us, whose very existence affords us opportunities of friendship and disinterested service which should make us ashamed of any thought of hostility or fearful preparation for trouble. This is assuredly the opportunity for which a people and a government like ours were raised up, the opportunity not only to speak but actually to embody and

exemplify the counsels of peace and amity and the lasting concord which is based on justice and fair and generous dealing.

A powerful navy we have always regarded as our proper and natural means of defense; and it has always been of defense that we have thought, never of aggression or of conquest. But who shall tell us now what sort of navy to build? We shall take leave to be strong upon the seas, in the future as in the past; and there will be no thought of offense or of provocation in that. Our ships are our natural bulwarks. When will the experts tell us just what kind we should construct—and when will they be right for ten years together, if the relative efficiency of craft of different kinds and uses continues to change as we have seen it change under our very eyes in these last few months?

But I turn away from the subject. It is not new. There is no new need to discuss it. We shall not alter our attitude toward it because some amongst us are nervous and excited. We shall easily and sensibly agree upon a policy of defense. The question has not changed its aspects because the times are not normal. Our policy will not be for an occasion. It will be conceived as a permanent and settled thing, which we will pursue at all seasons, without haste and after a fashion perfectly consistent with the peace of the world, the abiding friendship of states, and the unhampered freedom of all with whom we deal. Let there be no misconception. The country has been misinformed. We have not been negligent of national defense. We are not unmindful of the great responsibility resting upon us. We shall learn and profit by the lesson of every experience and every new circumstance; and what is needed will be adequately done.

I close, as I began, by reminding you of the great tasks and duties of peace which challenge our best powers and invite us to build what will last, the tasks to which we can address ourselves now and at all times with free-hearted zest and with all the finest gifts of constructive wisdom we possess. To develop our life and our resources; to supply our own people, and the people of the world as their need arises, from the abundant plenty of our fields and our marts of trade; to enrich the commerce of our own States and of the world with the products of our mines, our farms, and our factories, with the creations of our thought and the fruits of our character,—this is what will hold our attention and our enthusiasm steadily, now and in the years to come, as we strive to show in our life as a nation what liberty and the inspirations of an emancipated spirit may do for men and for societies, for individuals, for states, and for mankind.

ANNUAL REPORT ON THE FINANCES.

REPORT OF THE SECRETARY OF THE TREASURY.

TREASURY DEPARTMENT,
Washington, December 7, 1914.

SIR: I have the honor to make the following report:

THE EUROPEAN WAR CRISIS.

The outbreak of the European war precipitated many grave problems. International credits and exchanges were completely disorganized, ocean transportation was for a time partially paralyzed, the entire business and economic structure in this country was shaken to its foundations, and a catastrophe of calamitous proportions was narrowly averted. It is a tribute to the economic strength and soundness of the country and to the patriotism of its people in every class and walk of life that the shock has been so admirably withstood. A panic of cataclysmic proportions might easily have resulted, and if it had the injury to the country would have been incalculable and many years would have been required to overcome its effects. Through the prompt and effective action of the Treasury Department, and with the cordial and intelligent cooperation of the banking and business interests of the country, the danger has been averted. Confidence has been restored and specie payments have been maintained in the face of the world. At no time since the war broke out has there been, to the knowledge of this department, with the exception of a few isolated cases, a failure on the part of any solvent national bank to honor its checks in currency or money or to meet its obligations. The general revival of business throughout the country is the best evidence that confidence has been restored. Interest rates have come down from the high level to which apprehension had lifted them, restriction of credits has disappeared, foreign exchange has reached a normal basis, and a feeling of optimism pervades the business world. There is every reason why the country should look to the future with confidence so far as its trade, commerce, and industry are concerned. This has been accomplished notwithstanding the fact that the Federal Reserve System authorized

by the act of December 23, 1913, was at that time only in process of formation and was therefore unable to render any service in the situation.

STEPS TAKEN BY THE DEPARTMENT.

On the 31st of July, 1914, the following announcement was made to the public:

We are keeping in close touch with the situation. The Treasury Department will help as far as it legitimately may in New York or in any other part of the country where it becomes apparent that assistance is needed.

The Aldrich-Vreeland Act, as amended by the Federal reserve act, is still in force, and the terms upon which currency may be issued under that act are now so favorable that resort may be made, quickly and effectively, to it to meet any emergency. It must be remembered that there is in the Treasury, printed and ready for issue, $500,000,000 of currency, which the banks can get upon application under that law. This is in addition to the resources of the Treasury.

In view of the closing of the foreign stock exchanges, the action of the New York Stock Exchange, of which I have just learned, in closing temporarily is a reasonable measure of protection to American interests.

On August 1 the following telegram was sent to the chairmen of the clearing-house associations of the three central reserve cities, namely, New York, Chicago, and St. Louis:

For the purpose of considering the general situation created by the European crisis, and with a view to intelligent cooperation in protecting the interests of this country, I shall be pleased if you will send a committee of your clearing house to confer with me in Washington on Monday next, August 3, at 11 a. m. This invitation is sent to the three central reserve cities. The invitation will be extended later to the several Federal reserve cities if that shall appear to be desirable.

Before that conference could be held the crisis became so acute and the situation took on such serious aspects that I proceeded to New York on the 2d of August for a conference with the leading bankers of that city for the purpose of concerting measures to protect the situation. The then Assistant Secretary of the Treasury, Charles S. Hamlin, Comptroller of the Currency, John Skelton Williams, and W. P. G. Harding, a member of the Federal Reserve Board, accompanied me. It was the consensus of opinion that only by liberal and immediate issues of emergency currency could the situation be controlled.

ISSUE OF EMERGENCY CURRENCY.

Fortunately, the Federal reserve act of December 23, 1913, materially modified in several important particulars and extended until June 30, 1915, the Aldrich-Vreeland Act, under and by virtue of which the Secretary of the Treasury is given discretion to issue emergency currency to national banks upon their application and upon their compliance with the provisions of the act. In anticipa-

tion of the necessity, large amounts of this emergency currency were sent beforehand to the subtreasury in New York and to the other subtreasuries throughout the country, so that upon the opening of the banks for business on August 3, 1914, the department was able to issue to them sufficient currency to enable them to cope with the situation as it developed. Mr. Hamlin (at that time Assistant Secretary of the Treasury and a confirmed member of the Federal Reserve Board), Mr. Malburn, Assistant Secretary of the Treasury, and Mr. Williams, the Comptroller of the Currency, were on duty in person at the subtreasury in New York. Immediate steps were taken to organize the country into national currency associations, so that the obtainable relief under the Aldrich-Vreeland Act, as amended, would be available to as large a number of national banks as possible and upon short notice. As a consequence, the entire country has been divided into 44 national currency districts and national currency associations have been organized in each one of them, with an aggregate capital and surplus on October 31, 1914, of $1,197,771,001.

From August 1 to October 31, 1914, there was issued to national banks of New York City emergency currency in the amount of $141,228,000, and during the same period there has been redeemed $6,983,100, so that the New York City banks had outstanding at the close of business October 31, 1914, $134,244,900 of emergency currency. In this connection, I have the honor to state that the total amount of Government deposits placed in the banks of New York during this period was $3,400,000, of which there was returned to the Treasury Department on the 15th day of September, 1914, $2,000,000, and on the 30th day of October, 1914, $400,000, total $2,400,000, leaving a net amount deposited with the New York City banks of $1,000,000, the latter being for crop-moving purposes.

During the same period, August 1 to October 31, 1914, there was issued to national banks in all the States of the Union, with the exception of 10 (in which the banks did not apply), namely, Maine, Vermont, Rhode Island, Delaware, South Dakota, Montana, Wyoming, Idaho, Nevada, and Arizona (and not including New York City), $228,330,040 of emergency currency. The total redemptions in these same States during the same period were $1,455,000, so that the net amount of emergency currency outstanding in said States on the 31st of October, 1914, was $226,875,040.

For the purpose of still further relieving the financial situation and of enabling the banks to assist in the movement of the crops, there was deposited in national banks between the 1st day of August, 1914, and the 31st day of October, 1914, a total of $19,446,246. This is more fully covered in another part of this report.

ADDITIONAL AMENDMENT OF FEDERAL RESERVE ACT.

In order to meet more fully the emergency created by the war, it was necessary to secure an amendment to the Federal reserve act empowering the Secretary of the Treasury to issue a larger amount of emergency currency than the old act permitted, and in consequence there was passed by the unanimous vote of the Senate and House of Representatives on the 4th of August, 1914, an amendment which authorized the Secretary, in his discretion, to allow national banks to issue a maximum of circulating notes equivalent to 125 per cent of their unimpaired capital and surplus, instead of 100 per cent, as the law then authorized. This amendment extended the benefits of the act to those national banks which did not have outstanding circulation equivalent to 40 per cent of their capital stock, as required by the old law. At the suggestion of the department, the amendment also provided that the banks should maintain on deposit in the Treasury a redemption fund in gold sufficient, in the judgment of the Secretary of the Treasury, for the redemption of such notes, but in no event less than 5 per cent. The Aldrich-Vreeland Act provided that the banks should deposit only 5 per cent for redemptions, and even this might consist of lawful money. It was essential that the Secretary of the Treasury should have the power to compel the banks to maintain at all times a sufficient amount of gold in the redemption fund to protect the Government thoroughly against these large issues of paper money.

The Aldrich-Vreeland Act, as amended by the Federal reserve act and by subsequent amendment of August 4, 1914, has served a most useful purpose. The redemption of the emergency currency will not, I believe, present a difficult problem. Arrangements have been perfected in the department for a system of clearances between the banks which is expected to overcome the difficulties and inconveniences which might otherwise be encountered.

CONFERENCE ON FOREIGN EXCHANGE AND SHIPPING.

The demoralization of foreign exchanges and credits and the disorganization of ocean transportation produced a situation of exceeding gravity. Grain and foodstuffs for export were congested at the leading Gulf and Atlantic ports to such an extent that a temporary embargo was placed by the railroads on shipments of grain to Baltimore, New Orleans, and Galveston.

There was also impending another grave problem, as an inevitable consequence of the war, viz, the cotton situation in the South.

While no responsibility for dealing with these problems rested, by law, upon the Treasury Department, it was believed that the powers of the department could be exerted for the benefit of the situa-

tion. It was recognized that the resources of the country should be organized so that, by intelligent cooperation, the best results could be obtained. A series of conferences was determined upon as the most effective means of coordinating the vital factors and forces in the country. On August 7, 1914, the following statement was issued:

It is of vital importance to the country that two things be done as quickly as possible:

First. Provide sufficient ships to move our grain and cotton crops to European markets; and

Second. Restore through the bankers the market for foreign bills of exchange.

For the purpose of concerting measures to this end, I have to-day called a conference of representatives of leading shipping interests and foreign exchange bankers to meet at the Treasury Department in Washington on August 14, at 11 o'clock a. m.

Grain is a very pressing problem at the moment, because the crops have been largely harvested and the movement is already well under way. The cotton movement is not so advanced and will not be for a few weeks. It is my purpose to invite a conference on the subject of cotton to be held at an early date, of which announcement will be made later. These are important questions for the American people, and every possible effort will be made by the administration to cooperate in the movement of these great crops.

The names of those who will attend the conference on the 14th instant will be announced in a few days.

As a result, a conference was held at the Treasury Department on the 14th of August, 1914, between leading bankers, business men, and steamship and railroad managers. The following is quoted from the proceedings of the meeting:

The conference called by Secretary McAdoo to consider the grain export and foreign exchange and shipping situation met in the Treasury Department to-day with 62 representatives of business, trade, shipping, and banking interests attending.

Secretary McAdoo presided, and the conference was also attended by Secretary Houston, Secretary Redfield, Assistant Secretaries Newton and Malburn, of the Treasury Department, Comptroller Williams, Messrs. Hamlin, Delano, Harding, Miller, and Warburg, of the Federal Reserve Board; Senator Owen, chairman of the Senate Committee on Banking and Currency; Representative Carter Glass, chairman of the House Banking and Currency Committee; and Representative Adamson, chairman of the House Interstate and Foreign Commerce Committee.

The conference was received in the afternoon by the President.

Secretary McAdoo announced to the representatives of the business world attending that the Government was willing and anxious to cooperate in the solution of the pressing problems of exportation, shipping, and exchange, and the representatives present heartily assured the Secretary that the business interests were equally as willing and ready to cooperate with the Government. The Secretary said that he hoped the representatives of the conference would remain in Washington until results were obtained. He expressed the opinion that, while the problems were serious and pressing, they could be easily solved by determination, intelligent action, and cooperation.

It was the consensus of opinion that the three pressing questions were the restoration of the market for foreign bills of exchange, the provision of means for transporting grain, cotton, and other merchandise abroad, and war-risk insurance. Several of the representatives expressed the opinion that in connection with the passage of the pending bill for the registry of ships under the American flag the Government should undertake to insure ships flying the American flag against war risk. Such an undertaking of war-risk insurance should be temporary, it was said, and purely to meet the pending emergency, and should be conducted upon a business basis, the Government to receive premiums for the insurance issued. It was stated that with the enlarged registry of American ships and action by the Government supplementing what private companies might be able to do in connection with insurance, the question of exports of grain and cotton and of foreign exchange would rapidly solve themselves. Foreign exchange, it was declared, will find its equilibrium when the United States gets the ships and moves the grain.

To illustrate the pressing needs, representatives at the conference called attention to the congestion of American grain and other staples at the seaports and in the interior awaiting transportation. It was pointed out that Great Britain, France, and Belgium are now insuring the vessels and cargoes flying their respective flags against war risks. In order to provide workable means of cooperating with the Government the conference resolved itself into a committee, with Hon. Seth Low as chairman, and adopted the following resolutions:

"*Resolved*, That this conference, representing the business interests of all sections of the country, expresses its high appreciation of the prompt and effective action of the President and Congress and the Secretary of the Treasury in affording a prompt solution of the currency difficulties created by the sudden outbreak of war in Europe on a collossal scale, and that this conference urges upon the Government, the Secretary of the Treasury, and the Federal Reserve Board to continue its cooperation by adopting such measures and rendering such prompt assistance as may be necessary to enable the country to cope with the difficulties created by the unprecedented disarrangement of foreign trade now existing, and recommends especially that immediate assistance be provided to permit the negotiation of bills of exchange against the shipment of products to foreign markets, so that the congestion already prevailing may be at once relieved and that the financial balance of trade may become in our favor.

"*Resolved*, That this conference urge the United States Government to establish a bureau of war-risk insurance, to be administered under the direction of a suitable Government department by a board of three or five members, which shall assume the risks of war on American vessels and American cargoes shipped or to be shipped thereon whenever in the judgment of the board it shall appear that American vessels or shippers on American vessels are unable, in any particular trade, to compete on equal terms with the vessels or shippers of other nationalities by reason of the protection offered such other carriers or shippers by arrangements for war indemnity through their Governments, and that such board have power to fix rates of premium, subject to change, to each country or for each class of cargo.

"*Resolved*, That the present opportunity to extend American foreign trade and the opportunity now to begin the creation of a mercantile marine under the United States flag is so great that this conference appeals to Congress, by immediate and effective legislation and by necessary changes in our navigation laws, to make it possible for our citizens, without discrimination, to buy and operate ships under American registry in foreign trade on equal competitive terms with all other maritime nations.

"*Resolved*, That this conference deeply appreciates and earnestly and sympathetically responds to the suggestion of the Secretary of the Treasury in his opening address that the cooperation of the business interests of the country with the Government and its various departments should prevail, and in order that such may be effectively and most promptly accomplished, be it

"*Resolved*, That it is the sense of this conference that a standing committee should be appointed, composed of recognized experts in foreign exchange, marine and insurance problems, and in ocean transportation problems, in order that, if desired, in cooperation with the appropriate committee of Congress, bills may be immediately framed for consideration designed to promote the accomplishment of these greatly to be desired ends."

In accordance with the above resolutions the conference appointed the following committees, composed of experts on war-risk insurance, transportation, and foreign exchange, with Mr. Low as chairman, to remain in Washington and confer with representatives of the Government as to the best means of solving the problems:

War-risk insurance: Messrs. Hendon Chubb, of New York; J. Parker Kirlin, of New York; E. H. Outerbridge, of New York; F. G. Crowell, of Kansas City, Mo.

Transportation: Messrs. J. A. Farrell, of New York; P. A. S. Franklin, of New York; Robert Dollar, of San Francisco; Bernard N. Baker, of Baltimore.

Foreign exchange: Messrs. A. J. Hemphill, of New York; Festus J. Wade, of St. Louis; Henry R. Ickelheimer, of New York; John J. Arnold, of Chicago.

Secretary McAdoo appointed Mr. A. C. Miller, of the Federal Reserve Board, as the representative of the Treasury Department to confer with the members of the conference committee dealing with the subject of war-risk insurance; Mr. F. A. Delano, of the Federal Reserve Board, to confer with the members of the conference committee dealing with the subject of transportation; and Mr. Paul M. Warburg, of the Federal Reserve Board, to confer with the members of the conference committee dealing with the subject of foreign exchange.

Secretary McAdoo announced to the conference that he expected to call a meeting on cotton next week.

The following gentlemen attended the conference, which adjourned subject to the call of the chairman:

New York Clearing House Association representatives: J. S. Alexander, William Woodward.

Chicago Clearing House Association representatives: John J. Arnold, H. G. P. Deans, Joseph McCurrach.

St. Louis Clearing House Association representatives: David R. Francis, Breckenridge Jones, Festus J. Wade.

Kansas City Clearing House Association representative: F. G. Crowell.

National Foreign Trade Council representatives: Samuel D. Capen, of St. Louis; J. A. G. Carson, of Savannah; E. A. S. Clarke, of New York; Robert Dollar, of San Francisco; James A. Farrell, of New York; P. A. S. Franklin, of New York; James J. Hill, of St. Paul; Edwin N. Hurley, of Chicago; Barton Myers, of Norfolk; Welding Ring, of New York; John D. Ryan, of New York; W. D. Simmons, of Philadelphia; E. P. Thomas, of New York.

Chamber of Commerce of the United States representatives: Frederick Bode, of Chicago; James G. Cutler, of Rochester; John Joy Edson, of Washington, D. C.; John H. Fahey, of Boston; H. L. Ferguson, of Newport News; A. H. Mulliken, of Chicago; R. G. Rhett, of Charleston, S. C.

New York Chamber of Commerce representatives: Hendon Chubb, H. R. Eldridge, J. Parker Kirlin, Seth Low, E. H. Outerbridge, W. B. Pollock.

New York Produce Exchange representative: Charles A. Robinson.

Chicago Board of Trade representatives: Julius Barnes, John Bassett Moore, H. E. Rycroft.

West and Northwest milling interests' representatives: James C. Andrews, of Minneapolis; W. L. Harvey, of New Prague, Minn.; L. E. Moses, of Kansas City, Mo.; F. R. Eaton, Washburn-Crosby Co., Minneapolis.

Baltimore banking, grain, and shipping interests' representatives: Bernard N. Baker, William Ingle, Blanchard Randall, J. C. Whitney.

New York foreign exchange, banking, and steamship interests' representatives: William L. Benedict, of Kidder, Peabody & Co.; James Brown, of Brown Bros. & Co.; F. Q. Brown, of Redmond & Co.; H. R. Ickelheimer, of Heidelbach, Ickelheimer & Co.; J. P. Morgan, of J. P. Morgan & Co.; James Speyer, of Speyer & Co.; Benjamin Strong, jr., of Bankers' Trust Co.; August Ulrich, of Ladenburg, Thalmann & Co.; A. J. Hemphill; Pliny Fisk; John A. Donald; Wilbur C. Fisk.

Boston banking interests' representative: Josiah Quincy.

Southern Cotton Congress's representatives: C. W. Priddy, of Norfolk; J. C. Mayfield, of Barnwell, S. C.

Much good resulted from this conference. Congress promptly enacted the war-risk insurance measure and made it a bureau of the Treasury Department. Reference will be made to the work of this bureau in another part of this report.

COTTON CONFERENCE.

On August 18 the following announcement was made:

I have called a conference to consider the cotton situation, to be held at the Treasury Department on Monday, the 24th of August, at 11 a. m., to which representative men in the different sections of the country interested in the production, financing, and manufacturing of cotton will be invited. The names of those who will be asked to attend are now under advisement, and a list will be furnished in a few days. The Secretary of Agriculture and the Postmaster General will join the Secretary of the Treasury in the conference, and the Federal Reserve Board will be invited to attend as a body. The purpose of the conference will be to consider the general problem with a view to securing the largest possible degree of cooperation between the producers and manufacturers of cotton and the banking interests of the country.

This conference was held at the Pan American Building and was attended by the following:

The Secretary of the Treasury (presiding).
The Postmaster General.
The Secretary of Agriculture.
Assistant Secretary of the Treasury Newton.
Assistant Secretary of the Treasury Malburn.
The Comptroller of the Currency.
Federal Reserve Board: C. S. Hamlin, F. A. Delano, Paul M. Warburg, W. P. G. Harding, A. C. Miller.
Senator Owen.
Senator J. S. Williams.
Senator Ransdell.
Senator Thornton.
Senator James.
Senator Hoke Smith.

Representatives of the following sections of the country interested in the production, financing, and manufacturing of cotton and tobacco:

Arkansas.—George Rogers; H. S. Mobley; S. S. Faulkner, Helena; S. C. Moore, Helena; H. D. Tomlinson, Butler; E. A. Rolfe, Forest City; G. C. Byrd, Little Rock.

Alabama.—J. S. Pinckard, Montgomery; W. M. Blount, Union Springs; T. O. Smith, Birmingham; Emil Weil, Montgomery; Louis Farley, Montgomery; J. M. Cody, Luverne; William Duncan Nesbitt, Birmingham; W. W. Rainer, Union Springs; Hugh Foster, Union Springs; Thos. W. Palmer, Union Springs; Urey K. Goodwin, Gadsden; B. B. Comer.

California.—W. H. Best, Brawley; J. Stanley Brown, El Centro.

District of Columbia.—F. G. Caffey, Department of Agriculture; William A. Taylor, Department of Agriculture; C. J. Brand, Department of Agriculture; Dr. W. W. Garner, Department of Agriculture; Dr. T. N. Carver, Department of Agriculture; Bradford Knapp, Department of Agriculture; G. W. Taylor, general superintendent of transportation; and Lincoln Green, freight traffic manager, Southern Railway.

Florida.—W. S. Jennings, Jacksonville; W. J. Hillman, Live Oak; W. H. Milton, Marianna; D. H. Hays, Monticello.

Georgia.—John H. Reynolds, Rome; Joseph A. McCord, Atlanta; Mills B. Lane, Savannah; G. Gunby Jordan, Columbus; John D. Walker, Sparta; W. S. Witham, Atlanta; C. G. Rawlings, Sandersville; A. M. Gaston, Jackson; T. S. Johnson, Jefferson; Fuller E. Callaway, La Grange; J. S. Akers, Atlanta; Wright Hunter, Savannah; B. S. Miller; J. L. Benton, Atlanta; Robt. F. Maddox, Atlanta; Jas. E. Johnson, Sandersville; J. Harper Davison; G. Arthur Gordon, Savannah; Geo. C. Heyward, jr., Savannah; J. H. Carmichael, Jackson; Frank H. Barrett, Augusta; C. W. Burkett, Atlanta; C. S. Barrett, Union City; H. S. White, Sylvania.

Kentucky.—J. W. Newman, Frankfort; William Elliott, Henderson; Lister Witherspoon, Versailles; J. E. Bassett, Lexington; J. L. Watkins, Lexington; W. L. Pelty, Lexington; Y. Alexander, Lexington; James West; T. W. Long; R. E. Cooper; W. T. Fowler; J. B. Brown; W. F. Axton; J. C. Bright, Louisville.

Louisiana.—John J. Gannon, New Orleans; James Bolton, Alexandria; T. E. Flournoy, Monroe; W. D. Thompson, New Orleans; W. E. Glassell, Shreveport; Maurice Stern, New Orleans; Frank B. Hayne, New Orleans; R. E. Milling, New Orleans; C. H. Ellis, New Orleans.

Maryland.—William Ingle, Baltimore; S. F. Miller, Baltimore; Franklin P. Cator, Baltimore; William B. Hurst, Baltimore; James M. Easter, Baltimore; Charles T. Crane, Baltimore; Dr. W. D. Dent, Oakley; C. E. Moore, Baltimore; R. H. Edmonds, Baltimore; R. J. Beacham, Baltimore.

Massachusetts.—F. C. Dumaine, Boston; Albert Greene Duncan, Boston; Edward F. Greene, Boston; F. Joy, of National Shawmut Bank, Boston; E. L. Stone, of Hayden, Stone & Co., Boston; J. S. Lawrence, of Lawrence & Co., Boston.

Mississippi.—Henry Hart, Winona; Thomas L. Wainwright, Stonewall; J. Q. Poindexter, Ravine; Eugene L. Sikes, Aberdeen; W. S. Barry, Greenwood; John S. Hale, Meridian; P. C. Chapman; John M. Allen; S. G. Wilson, Greenwood.

Missouri.—James H. Allen, St. Louis; Gov. D. R. Francis, St. Louis; Walker Hill, St. Louis; Festus J. Wade, St. Louis.

New York City.—A. H. Wiggin; Gilbert G. Carr; Alexander J. Hemphill; Gates W. McGarrah; Franklin McFadden; Howard B. Ayres; Samuel T. Hubbard; Edward M. Weld; Richard A. Springs; Edward K. Cone, president New

York Cotton Exchange; J. Temple Gwathmey and H. R. Eldridge, committee of chamber of commerce; Theodore H. Price; W. A. Barber; Henry Walters; John G. Lonsdale; A. R. Shattuck; George H. Kretz; Arthur R. Marsh; B. L. Gill; H. D. Ewing.

North Carolina.—W. B. Drake, jr., Raleigh; H. C. McQueen, Wilmington; Dr. H. Q. Alexander, Matthews; D. Y. Cooper, Henderson; Stuart W. Cramer, Charlotte; W. H. Sprunt, of Alexander Sprunt's Sons, Wilmington; A. A. Thompson, Raleigh; W. C. Crosby, Charlotte; W. D. Cooper; A. W. McLean, Lumberton; W. S. Pharr, Charlotte; Charles L. Ives, Newbern.

Ohio.—W. E. McCaw, Cincinnati.

Oklahoma.—W. M. Bonner, Oklahoma City; H. H. Ogden, Muskogee; J. B. Thompson, Pauls Valley; William H. Murray, Tishomingo.

Pennsylvania.—W. A. Law, Philadelphia.

Rhode Island.—James R. MacColl, Pawtucket.

South Carolina.—E. W. Robertson, Columbia; Henry P. Williams, Charleston; J. B. Matthews, Columbia; D. R. Coker, Hartsville; Henry Glenn, Anderson; Leroy Springs, Lancaster; W. E. Beattie, Greenville; M. C. Heath, Columbia; John F. Maybank, Charleston; R. Goodwyn Rhett, Charleston.

Tennessee.—T. O. Vinton, Memphis; I. B. Tigrett, Jackson; J. B. Morgan, Nashville; F. G. Ewing, Cedar Hill; W. E. Love, Memphis; Wesley Drane, Clarksville; Lawrence D. Tyson, Knoxville; Mikel Savage; W. G. Allen; E. S. Shannon, Nashville; B. L. Mallory, Memphis.

Texas.—Royal A. Ferris, Dallas; Fielding Smith, Austin; Joseph W. Allison, Dallas; Alexander Sanger, Dallas; Charles Sanger, Waco; Homer D. Wade, Stamford; Hatton W. Summers, Dallas; T. A. Coleman, San Antonio; Matthew Cartwright, Terrell; R. L. Ball, San Antonio.

Virginia.—John M. Miller, jr., Richmond; S. T. Morgan, Richmond.

A highly interesting and illuminating discussion of the cotton situation developed, resulting in the appointment of a committee of 18, to formulate a report and suggestions, composed of the following:

Producers.—C. S. Barrett, Union City, Ga.; F. M. Coker, Hartsville, S. C.; J. O. Thompson, Birmingham, Ala.

Manufacturers.—G. Gunby Jordan, Columbus, Ga.; E. Farnham Greene, Boston, Mass.; Lewis W. Parker, Greenville, S. C.

Bankers.—A. H. Wiggin, New York City; Royal A. Ferris, Dallas, Tex.; Festus J. Wade, St. Louis, Mo.

Warehouse and transportation.—S. T. Morgan, Richmond, Va.; Harry Walters, New York City; B. L. Mallory, Memphis, Tenn.

Tobacco.—D. Y. Cooper, Henderson, N. C.; William Elliott, Henderson, Ky.; F. G. Ewing, Cedar Hill, Tenn.

Commercial interests.—W. D. Thompson, New Orleans, La.; Richard H. Edmonds, Baltimore, Md.; R. Goodwyn Rhett, Charleston, S. C.

Theodore H. Price, of New York City, was appointed secretary of the committee.

For the purpose of cooperating as far as practicable with the committee, W. P. G. Harding, of the Federal Reserve Board, and C. J. Brand, Chief of Office of Markets, and J. M. Carver, Office of Markets and Rural Organizations, of the Department of Agriculture, were designated as representatives of the Government.

As before stated, the cotton problem devolved no duty upon the Treasury Department. Its interest and activity were purely that of a volunteer, anxious to aid in every possible way by the use of its power and influence. At the same time it was realized that it was not possible, through any governmental aid or action, to repair fully the injury to cotton which the European war had caused through the inevitable reduction of the foreign demand at the very time when an exceptional crop brought upon the market the largest supply in the history of the country. It was hoped that the injury might be minimized through deposits of funds with the national banks in the South and liberal issues of emergency currency, so that the banks might be able to extend necessary credits until normal conditions, or as normal conditions as are possible in the present circumstances, could be restored.

EMERGENCY CURRENCY ISSUES ON COTTON-SECURED NOTES, ETC.

Consequently it was determined to accept notes secured by cotton, tobacco, etc., as a basis for issues of currency, as announced in the following statement, issued August 27, 1914:

Among the eligible securities to be used as a basis for the issue of currency I have decided to accept from national banks, through their respective national currency associations, notes, secured by warehouse receipts, for cotton or tobacco, and having not more than four months to run, at 75 per cent of their face value. The banks and the assets of all banks belonging to the currency association will be jointly and severally liable to the United States for the redemption of such additional circulation, and a lien will extend to and cover the assets of all banks belonging to the association and to the securities deposited by the banks with the association, pursuant to the provisions of law, but each bank composing such association will be liable only in proportion that its capital and surplus bear to the aggregate capital and surplus of all such banks.[1]

This plan ought to enable the farmers to pick and market the cotton crop if the bankers, merchants, and cotton manufacturers will cooperate with each other and with the farmers, and will avail of the relief offered by the Treasury within reasonable limits. Such cooperation is earnestly urged upon all these interests. The farmer can not expect as high a price for cotton this year because of the European war, yet he should not be forced to sacrifice his crop. The banker and the merchant should not exact excessive rates of interest and the manufacturers should replenish their stocks as much as possible and pay reasonable prices for the product. If this is done, and it can be done if everyone displays a helpful spirit, a normal condition can be restored and there ought to be no serious difficulty in taking care of the cotton problem.

This is a time when the entire country expects that purely selfish interests shall be subordinated to the common good, that undue advantage shall not be taken of the necessities of each other. I am happy to say that this spirit seemed to animate those who attended the so-called cotton conference held at my request in Washington on August 24 and 25.

Since the law leaves it entirely in the discretion of the Secretary of the Treasury to issue or not to issue the currency to which I have referred, I shall

[1] Subsequently this was enlarged to include notes secured by naval stores.

not hesitate to refuse it if I am convinced that it will be used merely for speculative purposes instead of for the operation of harvesting and carrying the crop until a reasonable market can be found and for the needs of legitimate business.

It is not my purpose to prescribe the character of warehouses in which cotton and tobacco may be stored. The banks will be relied upon to see that warehouse receipts issued by responsible warehousemen or warehouse companies alone are accepted and that the cotton and tobacco stored in such warehouses is covered by adequate fire insurance and is protected against injury by the elements.

In order to obtain such currency the following things should be observed by banks applying therefor:

1. Not less than 10 national banks in any given territory, each having an unimpaired capital and surplus of not less than 20 per cent, desiring such currency shall form a national currency association, with an aggregate capital and surplus of not less than $5,000,000, as required by the act. Full particulars and blank forms for this purpose may be had upon application to the Comptroller of the Currency, Washington, D. C.

2. Any national currency association formed in accordance with law will receive the approval of the Secretary of the Treasury. Already 37 such associations have been organized in the various States.

3. Under the law the Secretary of the Treasury may accept as security for currency—

(*a*) Bonds of any State or of any city, town, county, or other legally constituted municipality or district in the United States which has been in existence for a period of 10 years and which, for a period of 10 years previous to such deposit as security, has not defaulted in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it, and whose net funded indebtedness does not exceed 10 per cent of the valuation of its taxable property, to be ascertained by the last preceding valuation of property for the assessment of taxes.

(*b*) Any securities, including commercial paper, approved by the Secretary of the Treasury, held by a national bank and made available through a national currency association under the direction and control of the Secretary of the Treasury, at not exceeding 75 per cent of the cash value of such securities or commercial paper.

(*c*) No national bank shall be permitted to issue circulating notes based on commercial paper alone in excess of 30 per cent of its unimpaired capital and surplus.

4. The total amount of currency issuable to any bank, including its circulating notes issued against United States bonds, shall not be more than 125 per cent of its unimpaired capital and surplus.

5. Each bank or currency association receiving currency must maintain in the Treasury at Washington a redemption fund in gold of at least 5 per cent. The Secretary of the Treasury may at any time require such additional deposits in gold as, in his judgment, may be sufficient for the redemption of such notes.

I am convinced that there is adequate power under existing law to issue through the national banks all the currency to meet any reasonable demand that may develop in any part of the country, and that it is not necessary to extend the note-issuing privilege to State banks.

The Secretary of the Treasury already has the power to issue $1,000,000,000 of additional national-bank currency if it should be required, but I can not imagine a condition when any such need will arise.

The committee appointed at the conference, pursuant to the resolutions adopted, made a report to the Secretary of the Treasury under date of August 28, 1914.

The amount of Government funds deposited in the Southern States, including Maryland and Missouri, between the 1st of August and the 31st of October, 1914, was $12,659,000.

Emergency currency was issued to banks in the same States between the 1st of August and the 31st of October, 1914, to the amount of $75,678,120.

During the discussions of the cotton question within the past few months many have contended that the remedy for the situation was the issue of great volumes of paper money, in the form of greenbacks and otherwise. This, in my opinion, was wholly erroneous and unsound.

On the 9th of October, 1914, I had occasion to sum up the situation in a statement then issued, from which I quote:

Since the 1st of August there has been issued to national banks in the Southern States, including Missouri and Maryland, $68,000,000 of additional national-bank currency. The national banks in these same States may, by complying with the law, receive $151,443,000 of additional national-bank currency.

The national banks of the State of Texas alone have received $15,164,000 of additional currency and may draw $40,000,000 more upon compliance with the law.

There is held by the national banks of the same Southern States $16,065,000 of regular Government deposits, and since August 1, 1914, $11,337,500 of crop-moving deposits, making a total of $27,402,500.

You will therefore see that the Treasury Department has issued to national banks in the Southern States since the outbreak of the European war—

Additional national-bank notes	$68,000,000
It has deposited with national banks in the Southern States during the same period crop-moving funds aggregating	11,337,000
It has on regular deposit with national banks in the Southern States	16,065,000
Total	95,402,000
And there is available to the national banks in the Southern States, upon their compliance with the law, additional national-bank currency amounting in the aggregate to	151,443,000
Making a total of	246,845,000

Aside from the foregoing, I may say that the Secretary of the Treasury has authorized the issuance, since the outbreak of the European war, to national banks throughout the country of additional national-bank circulation aggregating $348,795,210. A large part of this currency has found its way to the South. Recently the Comptroller of the Currency, at my request, called on the national banks of New York City for a statement of the amount of loans which they had made to banks in the Southern States from August 1, 1914, to date. These reports show that the New York City national banks are lending to Southern banks more than $40,000,000.

Moreover, existing law authorizes the Secretary of the Treasury, in his discretion, to issue more than $1,000,000,000 of additional currency to national banks throughout the country. The banks, therefore, have ample opportunity to get more than enough currency to meet every conceivable demand, if more currency is, as many seem to think, the remedy for the cotton situation. I do not believe it is. I am firmly convinced that neither additional nor unlimited issues of paper money will help the cotton planter. I am equally convinced that the inevitable inflation which such issues would cause would hurt him and hurt the country. What is really wanted is a restored market for cotton at a profitable price. This is the real fact, the real truth in the situation. It is impossible by legislation to create a market for cotton or to establish a price for it. The value of cotton has been injured this year by the European war. This injury can not be retrieved nor the market restored by legislation any more than the injury to corn, which was caused by the drought last year in the great corn States of the West, could have been repaired by legislation.

Up to the present time there has been a disposition everywhere to look exclusively to and rely wholly upon the National Government for assistance. There are many things which the cotton States and the people of the South can do for themselves which the National Government can not do for them. The powers and resources of the Southern States should be employed for the benefit of their people, and the National Government should not be expected to do things which are beyond its power.

COTTON-LOAN FUND.

While these conferences had a reassuring effect, and while the issues of emergency currency and the deposit of Government funds in the South undoubtedly benefited the situation, additional measures seemed necessary. Without going into a lengthy narrative, I may say that many plans were presented to the department and to the Federal Reserve Board for the organization of a fund to lend on cotton. The purpose was to liquefy a vast amount of credits made immobile by the effects of the war. Festus J. Wade, of St. Louis, proposed a plan for the formation, by bankers and merchants, of a fund of $150,000,000 to be loaned on cotton, which, on the 10th day of October, 1914, received a qualified approval of the Federal Reserve Board. Mr. Wade's plan had some very valuable features as well as some very material defects, but as the outcome of the earnest and vigorous work which he and his associate, George W. Simmons, of St. Louis, had done in this connection, a large interest had been aroused, although the required subscriptions to the plan had not been obtained.

On the 19th of October I requested Messrs. Warburg and Harding, of the Federal Reserve Board, to join me in New York for a conference with the leading bankers there on the cotton situation, as a result of which a committee of bankers, consisting of Albert H. Wiggin, J. S. Alexander, A. J. Hemphill, and William Woodward, of New York, Festus J. Wade, of St. Louis, and Daniel G. Wing, of Boston, in conjunction with Messrs. Warburg, Harding, and myself, evolved a

plan for raising $135,000,000 to be loaned on cotton, which received the unqualified approval of the Federal Reserve Board on October 24, 1914.

A question was raised as to whether or not this plan offends the antitrust laws of the United States. I submitted the matter to the President, who, in view of the unusual emergency, requested an opinion from the Attorney General.

In a written opinion the Attorney General declares that the plan does not violate either the Sherman antitrust law, the recently enacted Clayton bill, or the trades commission bill.

The necessary subscriptions to make this plan operative, viz, $100,000,000, were obtained on the 17th of November, 1914, and on the same day the following announcement was made:

I am gratified to be able to announce the success of the cotton-loan fund. Subscriptions for the entire $100,000,000 of class A certificates were completed this afternoon. This assures the success of the plan. To such extent as banks in the Southern States subscribe to class B certificates the $100,000,000 realized from the class A certificates will be available for loans on cotton at 6 cents per pound. The full details of the plan have already been published and it is not necessary to repeat them here.

The full amount of subscriptions to class A certificates made by banks in noncotton States amounted at 2 p. m. to-day to $97,292,000. The success of the plan was conditioned upon the subscription of the full $100,000,000 of these certificates. In order to make up the deficiency of $3,000,000, Messrs. Kuhn, Loeb & Co., of New York, subscribed $2,000,000, and Bernard M. Baruch, of New York, formerly of South Carolina, subscribed $1,000,000, thus completing the required amount.

The following is a list of the cities and the amounts subscribed to the fund:

New York City	$50,000,000
Baltimore	2,500,000
Boston	2,085,000
Chicago	13,000,000
Detroit	1,082,000
Cincinnati	2,000,000
Cleveland	2,000,000
Kansas City	2,000,000
Louisville	1,000,000
Minneapolis	1,000,000
Philadelphia	4,640,000
Pittsburgh	2,000,000
Richmond	1,125,000
St. Louis	11,500,000
San Francisco	360,000
Washington	1,000,000
	97,292,000
Kuhn, Loeb & Co	2,000,000
Bernard M. Baruch, New York	1,000,000
Total	100,292,000

It is not possible to announce to-day the names of the subscribers to the fund in each of the cities, but it may be said that among the larger subscribers in New York City are Messrs. J. P. Morgan & Co., the National City Bank, the Chase National Bank, and others whose names may, with their permission, be given as soon as the complete lists are supplied. The only banks in the city of Boston subscribing to the fund are the National Shawmut Bank, the First National Bank, the Fourth Atlantic National Bank, the Webster & Atlas National Bank, and the Federal Trust Co. Great credit should be given to Messrs. Festus J. Wade and George W. Simmons, of St. Louis, for their earnest and effective work.

The success of this plan has at no time been in doubt, but its completion has been delayed by the selfish opposition of certain textile manufacturers and local interests who have tried to defeat it. I am happy to say, for the sake of the country as well as for themselves, that they have been unsuccessful.

The successful completion of this plan throws upon my associates of the Federal Reserve Board and myself added responsibilities and a large amount of onerous work. It is no part of our official duties. We are already burdened with many difficult problems, but we have regarded the organization of this cotton-loan fund just as we did the gold fund and its proper administration—as a patriotic service—and have felt obliged, therefore, to respond to the call that has been made upon us.

We believe that the carrying out of this plan is going to be beneficial, not only in helping the cotton situation and the foreign-exchange situation but also by promoting the general prosperity of the country, which now has such a happy impulse that it would be difficult to retard it. It is a pleasure to testify to the patriotism and broadmindedness of the banks and bankers who have so cheerfully supported the Secretary of the Treasury and the Federal Reserve Board in the organization of this fund.

The following statement was issued on the 18th of November, 1914:

The cotton-loan fund will be under the supervision of a central committee composed of the following: W. G. McAdoo, Washington; J. S. Williams, Washington; C. S. Hamlin, Washington; F. A. Delano, Washington; W. P. G. Harding, Washington; P. M. Warburg, Washington; and A. C. Miller, Washington.

Another committee, to be called the cotton-loan committee, will have charge of the active work. This will consist of W. P. G. Harding, Washington, chairman; Paul M. Warburg, Washington; Albert H. Wiggin, New York; James S. Alexander, New York; James B. Forgan, Chicago, Ill.; Festus J. Wade, St. Louis, Mo.; Levi L. Rue, Philadelphia, Pa.; William A. Gaston, Boston, Mass.

The plan gives the cotton-loan committee power to appoint committees in each of the cotton-producing States of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas, and Tennessee to assist it in carrying on the practical work.

While the creation of the cotton-loan fund and its use under the plan will have a far-reaching and beneficial influence upon the cotton and business situation, nevertheless the attention of the South should not be drawn away from the other pressing and important problem with which it must intelligently and effectively deal, namely, a material reduction of cotton acreage in 1915 and the raising of food products on a large part of the acreage heretofore devoted to cotton. Not only will crop diversification help the prosperity of the South, but the mere assurance of a large decrease in the cotton crop next year will immediately enhance the value of the present crop. The food products which the South can advantageously raise on a part of the cotton acreage will find a ready market at profitable prices even if the South itself can not absorb them

with greater advantage than by buying such supplies from neighboring States. If the war in Europe is protracted, the demand for foodstuffs will grow in volume and intensity and must be supplied in large part by this country. The southern farmer, therefore, has an unusual opportunity now for changing existing methods and habits with certain profit and permanent benefit to himself. The recently expressed views of the Secretary of Agriculture on this subject should be read by every farmer in the South. The Department of Agriculture will gladly give information to the farmers of the South about the best means and methods of crop diversification suitable to the conditions of each locality.

The bankers also have an exceptional opportunity to aid in this commendable work. They can, in large measure, influence the character of crops by imposing proper conditions upon the advances they may make to the farmers. Where the bankers are not dealing direct with the farmers, the merchant who supplies the necessary credits can exert the necessary influence. The farmers of the South ought to wake up to the importance of crop diversification. There never before was a time when they could wake up with such certain profit to themselves as now. I earnestly hope that the farmers, the bankers, and the merchants in the South will cooperate with each other for the purpose of materially reducing the cotton crop in 1915 and securing a satisfactory crop diversification. Not only should the southern farmer plant food crops, but he can raise cattle and poultry with great benefit to himself and the country at large. He can not do this, however, unless he reduces cotton acreage and raises food supplies.

GOLD FUND.

It was realized that the cotton problem was involved in that of foreign exchange. It had early become apparent that unless the price of London exchange could be reduced from the high level then prevailing, viz, above $5 per pound sterling, to approximately the normal rate of $4.87 per pound sterling, the interests of our people must suffer seriously. The war found our business men and bankers indebted to London in the sum of approximately $450,000,000, maturing by January 1, 1915. The city of New York owed $80,000,000 in London and Paris maturing in that period. Ordinarily this debit balance would be paid off by our shipments of cotton (principally), grain, foodstuffs, and other commodities. But the check upon and uncertainty about normal exportations made it necessary to devise some measure to enable our business men and bankers to meet their foreign obligations in gold without suffering the great losses that the high price of exchange at that time would have compelled. It was thought that a fund of $100,000,000 in gold, to be contributed by the national and State banks and trust companies in the various States, to be administered by a committee of bankers in New York, would restore confidence and afford relief. A plan was therefore prepared and on the 21st day of September, 1914, received the approval of the Secretary of the Treasury and the Federal Reserve Board. This, together with the increasing export trade of the United States, has had a salutary effect in reducing the price of exchange to a normal basis. This in turn has produced a favorable effect upon the foreign demand for cotton.

FEDERAL RESERVE BOARD.

The Federal Reserve Board, consisting of Charles S. Hamlin, F. A. Delano, W. P. G. Harding, Paul M. Warburg, and A. C. Miller, took the oath of office on the 10th of August, 1914, and was organized on that date. The President designated Mr. Hamlin as governor and Mr. Delano as vice governor of the board. The Secretary of the Treasury is, under the Federal reserve act, chairman ex officio of the board, and the Comptroller of the Currency is a member ex officio of the board. The act provides that the board shall submit a report direct to Congress, and I shall not undertake, therefore, to speak of its work except to say that it has taken hold of the many problems confronting it with vigor, loyalty, and intelligence, and I believe that it will render services of the greatest value to the country.

FEDERAL RESERVE BANKS.

The Federal reserve act imposed upon the Secretary of the Treasury the duty of announcing the date of the establishment of the Federal reserve banks. There was great difference of opinion about the date, many bankers expressing a preference for a later time than that finally selected. In view of the emergency, it seemed wise to expedite the opening of the banks. On October 25, therefore, in pursuance of law, the following announcement was made:

The Federal reserve act imposes upon the Secretary of the Treasury the duty of announcing, "in such manner as he may elect, the establishment of a Federal reserve bank in any district." In the discharge of that duty I have determined to announce on the 16th day of November, 1914, the establishment of the Federal reserve banks in all the Federal reserve districts. On that date the new reserve requirements for national banks, as prescribed by the act, will become operative.

I am impelled to this decision particularly because of the emergent conditions in the South and the confident belief that the prompt opening of the reserve banks will be very helpful to the cotton situation and to general business in all sections of the country.

This conclusion has been reached after a thorough discussion with my associates on the Federal Reserve Board, who are cooperating cordially with me, and also after full consideration of the views expressed by the directors of the Federal reserve banks at their recent conference in Washington with the Federal Reserve Board.

I am fully aware of the physical difficulties that must be overcome to set the reserve banks in motion on the 16th of November, but the directors of these banks represent the highest degree of American banking ability, and I am sure that not only can they meet the situation but that they will cheerfully take up the task in the same fine spirit of public service which animated their discussions at the Washington conference.

As the result of the enactment of the war-revenue measure the parity between receipts and disbursements of the Treasury will soon be happily restored. This will make it possible for the Treasury to render still greater service than it

has already rendered in helping the financial situation in the South and in other parts of the country where the need has appeared. The prompt opening of the Federal reserve banks will make the assistance of the Treasury doubly powerful, because the Federal reserve act authorizes the Secretary of the Treasury, in his discretion, to deposit a large amount of the moneys held in the "general fund" in the Federal reserve banks, and to require such banks to act as fiscal agents of the United States; and also, in his discretion, to deposit the revenues of the Government, or any part thereof, in the reserve banks, and to make disbursements by checks drawn against such deposits.

Under the present system the Secretary of the Treasury can not with prudence scatter the "general fund" of the Treasury among the great number of widely separated national banks throughout the country. Up to the present time I have gone as far in that direction as I have felt that it was wise to go, but with the larger powers conferred by the Federal reserve act and the use which I may be able to make of the Federal reserve banks as fiscal agents of the Government, it will be prudent and wise to deposit a large amount of the "general fund" of the Treasury in the Federal reserve banks.

As soon, therefore, as the reserve banks are in operation I shall transfer to them as large an amount of Government funds as possible; this will, in turn, enable them to extend enlarged credits to national banks and State banks which may become members of the Federal Reserve System, which they, in turn, may extend to their customers. By this means and through the agency of the Federal reserve banks I hope to give additional assistance to that already given by the Treasury Department to the cotton producers, the cotton industry, and the business men of the South.

The new reserve requirements which will become operative on the 16th day of November, upon the opening of the Federal reserve banks, will release more than $400,000,000 of reserve money and largely increase the credit facilities of the banks of the country.

I am pleased to say that notwithstanding the short time allowed to perfect the organization of the banks, their officers and directors have responded with commendable zeal and vigor, and, as a result, the Federal reserve banks were opened for business in each of the Federal reserve cities on the 16th of November, 1914. I believe that these banks are going to exert a far-reaching influence for good upon the banking system and business of the country.

It is not my purpose to discuss the merits of the Federal reserve act. It is sufficient to say that it gives promise of being the most important piece of legislation, in the substantial benefits that it will confer upon the people of the country, that has been enacted since the Civil War. I look forward with the greatest confidence to its effects upon American enterprise and American business. I believe that it will stabilize credits, prevent those extreme fluctuations in interest rates, and in supply of credits and money, from which the country has so frequently suffered, and that it will assure that legitimate expansion of responsive credit facilities so long imperatively demanded in the interest of American commerce, enterprise, and industry both at home and abroad.

HOARDING OF MONEY AND HIGH INTEREST RATES.

During the period we have been discussing the familiar phenomena of impaired confidence manifested themselves throughout the country. The Federal Reserve System, as before stated, not being in operation, many banks resorted to the usual practice of trying to strengthen themselves at one another's expense. This is not said in criticism of banks so much as in criticism of the old banking system, from which we are now happily about to escape. Under the old system there was no other way for the banks to make sure of themselves except by building up their reserves in time of fear. To do this credits are restricted, high rates of interest are charged, and payments of loans demanded. It would be unfair to say that this practice prevailed in all parts of the country, because among the larger reserve cities, particularly in New York, great forbearance in the calling of loans was shown. The closing of the stock exchange in New York destroyed the call-loan market and rendered immobile in the hands of New York banks a vast amount of credits. On September 19 their reserves were more than $38,000,000 below the legal requirements. Evidence, however, reached the department that many banks throughout the country were hoarding money to an unnecessary extent by maintaining excessive reserves and refusing to extend credits and that exorbitant rates of interest were being charged. Hoarding of money by individuals also became apparent.

While it was a disagreeable duty to call attention to these practices, which were operating to the disadvantage of the prosperity of the country and delaying the restoration of confidence, I nevertheless felt that it ought to be discharged. Therefore, as a warning, publication was made of the names of some of the banks which, as shown by their reports to the Comptroller of the Currency, were maintaining reserves far in excess of the legal requirements. While this was not, of course, conclusive of the fact, it was indicative at least of an unfortunate tendency. Many complaints were received from responsible business men in various sections of the country about their inability to secure legitimate credits, about excessive rates of interest that were being charged, and about the actual distress from which business was suffering as a result of these things. I determined to withdraw Government deposits from those banks which were not making use of the funds for the benefit of the communities in which they were placed, with a view to redepositing them in banks which would employ them properly. This action had a salutary influence, because it was followed by a general loosening up of credits; and while it is not for a moment contended that the improvement is attributable wholly to the action of the department, it is nevertheless believed to have had a beneficial effect upon the

situation. On September 21 the following statement was made to the country:

Complaints have been made to me that some of the national banks which are the beneficiaries of Government deposits, and which are receiving national-bank currency, are charging excessive rates of interest on loans, as well as restricting credits. I have ordered that a careful investigation be made immediately. If I discover that depositary banks are refusing to extend legitimate credits, or that they are charging excessive rates of interest for Government funds deposited with them, or for so-called emergency currency which has been issued to them, I shall not hesitate to withdraw Government funds from such banks and refuse to issue emergency currency to banks which I am convinced are not making use of it, upon reasonable terms, for the benefit of the business community. This applies not only to national banks in the cotton States but to banks in all sections of the country. It must be remembered that the issuance of this so-called emergency currency rests by law solely within the discretion of the Secretary of the Treasury. I shall not knowingly exercise that discretion in favor of any bank or banks which fail to make use of it at reasonable rates of interest for the benefit of the commerce and business of the country.

This was followed by a further statement on the 23d of September, as follows:

Secretary McAdoo to-day gave out the following telegram, which he sent to 10 national banks in 4 reserve cities in the South:

"I have decided not to deposit the second installment of crop-moving funds with your bank at this time. You can, however, if you desire, withdraw one-half of the securities deposited by you and use them as security for the issue of additional currency if you make application therefor. I am informed that many banks in your State are refusing to make any loans for crop-moving purposes, and that in many cases good loans are rejected or unreasonable rates of interest are asked. I am also informed that many banks which have taken out additional currency are refusing to use it, in spite of great demands for money. I trust you are not doing this. I shall withdraw all Government deposits from banks charging excessive rates of interest, or which refuse reasonable accommodations, and I shall refuse to issue so-called emergency currency to banks which are not making use of it on reasonable terms for the benefit of the business community. It is essential, in the present situation, that everybody pull together in an unselfish spirit for the good of the country. I, of course, expect the banks to make a reasonable charge for accommodations. My point is that the charge must be reasonable, as the cooperation and help of the Treasury will not be extended on any other basis."

The reports of national banks now being received by the Comptroller of the Currency, in response to his call for a statement of their condition as of September 12, indicate an extraordinary hoarding of money by many national banks in various sections of the country. I am astonished that so many of the national banks are pursuing a course so contrary to the public interest and so indefensible from any point of view. There is neither occasion nor necessity for it.

Full reports have not yet been received by the comptroller, but they are coming in daily. I intend to begin issuing daily a list of the banks which are hoarding money by maintaining excessive reserves, in order that the country may know how they are performing their public duties. The reports of national banks are public property anyway, and while they have been published in their respective communities, the significance of their statements is

not generally understood. The public does not know how to analyze them. My purpose is to focus attention upon the excessive reserves carried by these banks, for the reserves indicate whether or not the banks are using their full resources for the relief and accommodation of business in their respective communities.

It is a matter of extreme regret that the Government has not the power to exact similar statements from the State banks and trust companies throughout the country, because I am satisfied, from certain reports which have come to me, that many of the State banks and trust companies, like many of the national banks, are hoarding money and refusing to extend legitimate credits. I shall ask the superintendents of banks in the various States to cooperate with the Government by supplying reports of the condition of the State banks and trust companies.

The banks that are hoarding money should discontinue it. Such action, more than any other agency, tends to impair confidence and injure business. If all the banks of the country will do their duty in the present circumstances by extending legitimate credits at reasonable rates of interest the most serious of our difficulties will promptly disappear. The economic and financial condition of the country is sound throughout. The most essential thing now for our prosperity is the prompt conduct of business on a normal basis.

On September 24 a telegram was sent to the superintendent of banking in each of the States of the Union asking for cooperation in the effort to prevent hoarding of money and restriction of credits, and I am gratified to state that in each instance a hearty response was given and the cooperation of the superintendents of State banks was extended. A copy of said telegram is as follows:

Reports now being received by the Comptroller of the Currency from national banks throughout the country indicate that a money scarcity is being occasioned in large measure because of the hoarding of funds by many national banks, which are carrying reserve, in some cases, two or three times as great as required by law; and also that credits are being restricted and excessive rates of interest are being charged to customers. There is at this time more currency in the country than at any time in its previous history, there having been issued through the Treasury Department since August 4 more than $300,000,000 of additional national bank currency, which, together with the relaxation in business, should create an abundance of loanable funds. This department will withdraw Government deposits from banks found to be hoarding money and charging excessive rates of interest and will redeposit them with banks whose funds are being loaned at reasonable rates to meet the legitimate demands of business and for moving the crops. This department would like very much to have your cooperation in its efforts to remedy these unsatisfactory conditions, and respectfully asks if it would not be possible for you to secure from all State banks and trust companies in your State statements which will show their cash reserves as of a recent date, the rates of interest which they are charging on existing loans, and the rates which they are demanding for new accommodations, and give this department the benefit of the information disclosed by these reports. It is confidently believed that if all banks can be persuaded to use their resources intelligently and considerately and at reasonable rates of interest to meet the legitimate demands in their respective communities, the whole situation can be greatly relieved and business restored to a satisfactory, if not an entirely normal, basis. Kindly answer.

EMERGENCY REVENUE ACT.

The European war seriously and adversely affected the revenues of the Government from imports. The revenue from customs for the month of October, 1914, was $16,271,829.25, and for the month of October, 1913, it was $30,138,049.37, showing a decrease in one month of $13,866,220.12. I have taken the month of October for the purpose of comparison, as the new tariff law went into effect October, 1913, and duties were, therefore, the same. The reduction in revenues is due solely to the falling off in importations. The estimates made by the department indicated that there would be a decrease of import duties resulting from the war because of reduced importations of from $60,000,000 to $100,000,000 per annum. It is obvious that these estimates can not be accurate, as no one can foretell the course of events while the titantic struggle in Europe is in progress. To keep the Treasury in strong condition in these abnormal times was obviously the first duty of the hour. Upon it largely depended the safety of business and finance in this country. If the emergency revenue act had not been passed the surplus in the Treasury would have constantly diminished and might have disappeared altogether.

As long as the expenditures of the Government exceed its income there is always danger. To maintain such a condition is both unsound and imprudent. It must be remembered that the duty of maintaining the parity of all forms of paper money with gold is imposed upon the Treasury. So long as income exceeds outgo it is far less difficult to maintain this parity, and so long as there is confidence in the strength of the Treasury it is easier to maintain this parity. The corollary of a weak Treasury is impaired confidence. It would have been the part of timidity to subject the business of the country to the risk of disaster. It was manifestly wise and courageous to strengthen the Treasury so that it could protect the vast interests of the country. This became a more obvious duty in view of the fact that the Federal reserve banks were soon to be organized, and that a very material readjustment and transfer of bank reserves had to be brought about. It was essential that this should be done without further dislocating credits or disturbing business, which were already suffering from the shock of the war. I am happy to say that through the foresight, wisdom, and courage of the President and Congress all danger from this source was averted. No inconveniences or disturbances have resulted from the organization of the Federal Reserve System, and the Treasury will continue strong enough to perform highly useful services to the American people.

It is, I think, unfortunate that this emergency measure is made to expire December 31, 1915. I venture to suggest that this limita-

tion should be removed, and the act amended so as to provide that it shall remain in force until peace is restored in Europe, that fact to be determined by a proclamation of the President. This is all the more necessary, because even with the return of peace it will be a long time, in all probability, before the belligerent nations will be able to restore their productive power and foreign commerce, and, even then, the process must be gradual.

RELIEF FOR AMERICAN CITIZENS IN EUROPE.

The outbreak of the war precipitated many acute problems, and among them was the safe removal of thousands of American citizens who were at that time in the belligerent countries of Europe. The disorganization of foreign exchanges and credits made it impossible for American travelers to secure funds upon their letters of credit and travelers' checks. The situation was so urgent that, with the authority of the President, the Secretary of State and the Secretary of the Treasury appeared before the Committees on Appropriations of the Senate and the House of Representatives and urged the immediate appropriation of $2,500,000, in addition to $250,000 which had theretofore been appropriated, for the purpose of making advances of money to distressed Americans in Europe and for providing facilities for their transport to this country. By virtue of the joint resolution of August 5, 1914, the President appointed a relief board, consisting of the Secretary of State, the Secretary of the Treasury, the Secretary of War, and the Secretary of the Navy, and designated the Secretary of the Treasury as chairman of the board.

At the same time I announced that the Treasury at Washington, as well as the subtreasuries in San Francisco, Chicago, New Orleans, Baltimore, Boston, St. Louis, New York, Cincinnati, and Philadelphia, would receive deposits for American citizens in Europe, and would undertake to the best of their ability to see that the funds were placed in the hands of the beneficiaries. Approximately $2,260,000 was deposited in the Treasury and the subtreasuries for this purpose. The difficulty of obtaining gold in Europe at that time made it necessary to send to European waters the U. S. S. *Tennessee* with $1,500,000 of actual gold. She sailed on August 6, 1914, with Assistant Secretary of War Breckinridge and certain Army officers designated by the Secretary of War. James L. Wilmeth, chief clerk of this department, was sent as its representative, and in addition D. M. Riordan, of New York City, an unselfish, high-minded, and patriotic citizen, who, at my request, accompanied the expedition as special adviser to the Secretary of the Treasury. I felt that, in view of the large responsibilities placed upon this department by the President's order, and the haste with which the expedition had to be organized, a man of Mr. Riordan's mature judgment

and large experience would be invaluable. Mr. Riordan left his business upon seven hours' notice, and rendered most unselfish and painstaking service, without hope of reward or compensation, refusing to accept anything but his actual expenses. In no other way than by mentioning it here can I make public recognition of Mr. Riordan's unselfish service. At this moment a full report of the operations of the expedition can not be made, as the work is not yet finished. It is sufficient to say that many thousands of American citizens were given assistance, and, through the prompt action of the Government, were saved from distress and enabled to return safely to their homes.

CROP-MOVING DEPOSITS AND INTEREST ON GOVERNMENT DEPOSITS.

In my annual report for the fiscal year 1913, reference was made to deposits by the department in banks in the agricultural States for the purpose of assisting in the movement of crops. I am now able to report that the full amount of money so deposited for crop-moving purposes in the fiscal year 1914 in the Southern, Western, and Pacific States was $37,386,000 out of $46,500,000 which was allotted to them. The money was returned in four installments, as follows:

On or before—	
January 15, 1914	$7,955,641.66
February 15	9,830,184.47
March 15	10,512,103.74
April 1	9,088,070.13
Total	37,386,000.00

From the above deposits the Government received $267,844.51 in interest.

A comparative statement of interest received on public deposits for the past five fiscal years is as follows:

1910	$48,551.88
1911	41,757.53
1912	44,462.26
1913	122,218.89
1914	1,409,426.07

The increase in the amount of interest collected for 1913–14 is due to the fact that, beginning with June, 1913, interest has been charged upon all public deposits at the rate of 2 per cent per annum.

In order to determine to what extent, if any, assistance would be required by the banks for crop moving and marketing and for other purposes during the autumn of 1914, a letter was sent to each national bank in the country on June 29, inclosing a blank form upon which an expression of views of each bank was requested.

Many banks in the Eastern and Pacific States replied that they would not need Government funds, but, acting on the replies from

banks which expressed a wish for such deposits, the following allotments were made:

Southern States	$23,500,000
Western States	13,475,000
Pacific States	350,000
Total	37,325,000

These funds were distributed in installments of 25 per cent each, the amount distributed to October 31, 1914, being $19,446,246.

NEUTRALITY LAWS.

Among the new duties imposed upon the department as a result of the European war is that of enforcing the neutrality laws. This work is coordinated thoroughly with the State and Navy Departments, which are acting in perfect cooperation with the Treasury Department in the discharge of these important duties.

WAR RISK INSURANCE.

Another consequence of the European war is the War Risk Insurance Bureau, to which I have alluded in another part of this report, and which was authorized by the act of Congress of September 2, 1914. The next day after the approval of this act the bureau was organized in the Treasury Department with William C. De Lanoy as director and J. Brooks B. Parker as assistant to the director. An advisory board, provided for by the act, was appointed by the Secretary, consisting of the following: William Wallace, of Boston, Mass.; Hendon Chubb, of Jersey City, N. J.; and William N. Davey, of New York.

The necessary policies and forms were adopted and organization immediately effected, and the bureau began business promptly after the passage of the act.

The Bureau of War Risk Insurance coordinates most satisfactorily with the Customs Division of the department, since the duties of collectors of customs are to clear vessels and examine their manifests and cargoes, and they are thus brought into close contact with the shipping business. They have been authorized to act as agents in the issuance of policies under the direction of the War Risk Insurance Bureau. This has greatly facilitated and simplified the administration of the act. Already the bureau is proving a most useful agency for the protection and promotion of American commerce, since American vessels are now able to obtain insurance, which they would not otherwise be able to get, and without which vessels would not sail and shipments could not be made.

The rates made by the bureau for insurance are based upon the same sound considerations that control private companies, but they are more reasonable and have had a determining influence in creating and maintaining rates that are advantageous to American shipping.

American commerce would have been seriously handicapped under present conditions if the Bureau of War Risk Insurance had not been established. It has already proved of inestimable value to the business interests of the country.

RESERVE BANK ORGANIZATION COMMITTEE.

The Federal reserve act of December 23, 1913, created a Reserve Bank Organization Committee, consisting of the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency. Three days thereafter announcement was made of the determination of the committee to hold hearings in various important cities of the country for the purpose of obtaining the best possible opinion and information as to the division of the country into Federal reserve districts, as required by the act. At that time the office of Comptroller of the Currency was vacant, but the law authorized a majority of the members of the committee to act.

In order to carry out the purposes of the law and apportion the country with "due regard to the convenience and customary course of business," the committee made a tour of the country, held public hearings, and studied local conditions at first hand. The hearings were begun on January 2, 1914, and continued until February 18, 1914, the committee visiting New York, Boston, Washington, Chicago, St. Louis, Kansas City, Lincoln (Nebr.), Denver, Seattle, Portland (Oreg.), San Francisco, Los Angeles, El Paso, Austin (Tex.), New Orleans, Atlanta, Cincinnati, and Cleveland. More than 200 cities, through their clearing-house associations, chambers of commerce, and other representatives were heard. The task was a prodigious one and involved an immense amount of hard work, a thorough study of unusual problems, and the decision of many trying and difficult questions. The most careful and painstaking investigations were made by the committee. Upon it was placed the sole responsibility of dividing the country into 12 or less districts, selecting the locations in each district for the Federal reserve bank, admitting to membership in the system, under rules and regulations adopted by the committee, the 7,493 national banks of the country, organizing the Federal reserve banks, and performing all the preliminary work of investigation and organization of the system preparatory to the appointment of the Federal Reserve Board.

In order to facilitate and expedite the work a special committee of experts, with H. Parker Willis, of New York, as chairman, and Edmund D. Fisher, Andrew A. Benton, O. Howard Wolfe, Joseph A. Broderick, Ralph Dawson, and Stephen H. Farnham as members, was appointed in January, 1914, with authority to make a careful and comprehensive report upon a system of accounting for the Federal reserve banks, as well as upon many other important features. This committee performed its task and embodied its findings and conclu-

sions in a comprehensive report which has been of great value to the Organization Committee and to the Federal Reserve Board.

It was not to be expected that the country could be divided into districts and that the banks could be so located as to satisfy all sections, and especially the many cities which engaged in an active contest for the location of the several Federal reserve banks. At the very outset the committee announced that it would not allow itself to be swerved or influenced by local or political considerations, but would determine the important questions submitted to it with sole regard to what, in its judgment, would be best for the integrity and efficiency of the new system and the general interests of the country.

On April 2, 1914, the decision of the committee was rendered. It divided the country into 12 Federal reserve districts, the maximum authorized by the Federal reserve act, and located Federal reserve banks in the following cities: Boston, New York, Philadelphia, Richmond, Atlanta, Cleveland, St. Louis, Chicago, Minneapolis, Kansas City, Dallas (Tex.), and San Francisco.

Keen dissatisfaction was expressed by the cities of New Orleans and Baltimore and much ill-considered criticism was directed at the committee's findings. On the 10th of April a supplemental statement was issued by the committee.

While the Federal reserve act was on its passage in Congress it was vigorously opposed by many of the banks of the country, and it was freely prophesied that the national banks would refuse to accept the law, surrender their Federal charters, and reorganize as State institutions. It is significant that within the 60 days which the law allowed the national banks to accept the provisions of the act only 18 national banks out of 7,493 failed to enter the system. Much of the opposition to the law resulted from a lack of knowledge of its provisions. It is extremely gratifying to be able to say that since there has been a fuller knowledge and better understanding of the Federal reserve act there has been a complete change of sentiment. There is now universal acknowledgment of the great value and merit of this important piece of legislation. It is extremely gratifying also to be able to state that the national banks have cooperated in a most commendable spirit with the Organization Committee and the Federal Reserve Board in the establishment of the new system.

The Federal reserve act has also provided a means by which State banks may more readily become national banks and thus secure the benefits of the Federal Reserve System or by which they may retain their State charters and still become members of the Federal Reserve System and secure its benefits. It will be of great advantage to the country to bring more thoroughly under the supervision of the National Government than heretofore the entire banking system of the country. It is a serious defect in our financial struc-

ture to have so many State banks operating under 48 different kinds of State laws. If they shall, through wise legislation and management, be brought ultimately into the Federal Reserve System, so as to make the banking business of the country a homogeneous and well-ordered whole, administered, regulated, and supervised under the authority of the National Government, a great and lasting benefit will be secured to the American people. This may be, and it is to be hoped will be, the natural evolution of the new Federal Reserve System.

CUSTOMS.

The collections of revenue for the fiscal year ended June 30, 1914, show the success of the tariff act of October 3, 1913, as a revenue measure.

When the tariff law was written it was estimated to produce from customs in its first year $270,000,000. There was actually produced in the year from customs $292,320,014.51, or $22,320,014.51 in excess of the estimates, which took into account the estimated revenues for three months under the old law and nine months under the new law.

It was intended by the tariff act of October 3, 1913, to remove the duties from certain necessaries of life and lower the duties on others.

To make up the deficit caused by the loss in revenue from customs the income-tax provisions were enacted as a part of the new act and the provisions for a tax on corporations were amended.

The tax on individual incomes amounted to $28,253,534.85 and the tax on corporations amounted to $43,127,739.89.

That the tariff act of October 3, 1913, not only justified the estimates, but as a whole produced during its first year more than the revenue measure which it superseded, is shown by a comparison of the revenue figures:

	For year ended June 30, 1914.	For year ended June 30, 1913.
Customs	$292,320,014.51	$318,891,395.86
Corporation and income tax	71,381,274.74	35,006,299.84
Total	363,701,289.25	353,897,695.70

This makes an amount of revenue raised under the act of October 3, 1913, greater by $9,803,593.55 than the amount collected the previous year under the preceding revenue measure.

In addition to the saving of $356,000 in operating expenses, resulting from the reorganization of the customs service, by virtue of a provision in the sundry civil bill, approved August 23, 1912, there was a saving of approximately $130,000 in operating expenses during the year ended June 30, 1914. This was accomplished by constantly improving the business methods, and without any decreases in compensation. By these operations the customs force was

decreased from approximately 8,100 on July 1, 1913, to 7,150 on July 1, 1914, and the annual expenditures from the rate of approximately $11,000,000 per annum on the former date to approximately the rate of $10,150,000 per annum on the latter date. This decrease in expenses was effected during the time that the number of entries of merchandise increased by 90,468, an increase of approximately 5 per cent over the entries in 1913. This increased number of entries was handled by a decrease of 606 persons from the average number of those employed in the service the previous year.

The conference of collectors of customs held in 1913 proved of such value to the service that a similar conference was called this year, and was attended by representatives of 48 customs districts. Many questions which had arisen under the new tariff law and under the reorganization of the customs service were discussed. The results proved so satisfactory that a decision has been reached to hold such conferences at stated periods, with occasional joint conferences of collectors and appraisers. The recommendations of the conference were submitted to the department for appropriate action and have effected a greatly increased efficiency, uniformity of practice, and economy.

Of similar value was the conference of appraisers which was held at New York this year. This important branch of the customs service, while efficient, was thought to be capable of much improvement in business methods, the attainment of uniform appraisements, etc. The exchange of ideas and practices at the various ports which were discussed at the conference proved very valuable, and the result of their recommendations to the department will be evident in the greater efficiency in this branch of the customs service.

In addition to these results these conferences have greatly increased the esprit de corps of the service and have stimulated a genuine interest in the various collectors of customs to improve the service until it reaches the highest possible plane of efficiency.

Another feature of the year's work in the customs service was the appointment of the customs efficiency board. This board is composed of nine members selected from those deputy collectors of customs and special agents who are experts in customs administration.

Committees, usually of three members, visit the various customs districts with a view to effecting a standardization of the service and the abolition of useless work, duplication of record keeping, and the correction of irregular practices. The visits of these committees have everywhere been welcomed by the chief officers of customs who have cooperated with them and very generally supported their recommendations. The result has been increased efficiency and economy.

Every effort is being made to continue the work instituted at the beginning of the fiscal year to so improve the methods employed and

increase the effectiveness of the service as to place it on a basis of business efficiency at least equal to that of well-conducted individual and corporate business enterprises.

INCOME-TAX LAW.

The income-tax law for the first year of its operation produced less revenue than was estimated. Without specific information upon which these estimates could be based, it was impossible to make them accurate. There was no available data about the incomes of individuals in the various States upon which the department could base a very intelligent forecast. Notwithstanding, the results from the income-tax law for the first 10 months of its existence have been satisfactory. The administration of a new law of this character encounters great obstacles at the outset. In the first place, the people of the country, unaccustomed to an income tax, must be educated to the law. This takes time. Moreover, administrative methods must develop with experience, and this also takes time. An immense amount of work has been done in perfecting methods of administration, in preparing and issuing regulations, and in explaining and elucidating the many varied and complex questions that have arisen under the law.

The following table shows the number of individual income returns filed during the fiscal year 1914, the same being classified according to the amount of net income disclosed by the returns:

		Number of returns.
$2,500.00 to	$3,333.33	79,426
3,333.33 to	5,000.00	114,484
5,000.00 to	10,000.00	101,718
10,000.00 to	15,000.00	26,818
15,000.00 to	20,000.00	11,977
20,000.00 to	25,000.00	6,817
25,000.00 to	30,000.00	4,164
30,000.00 to	40,000.00	4,553
40,000.00 to	50,000.00	2,427
50,000.00 to	75,000.00	2,618
75,000.00 to	100,000.00	998
100,000.00 to	150,000.00	785
150,000.00 to	200,000.00	311
200,000.00 to	250,000.00	145
250,000.00 to	300,000.00	94
300,000.00 to	400,000.00	84
400,000.00 to	500,000.00	44
500,000.00 to	1,000,000.00	91
1,000,000.00 and over		44
Total		357,598
Married[1]	278,835	
Single:		
Men	55,212	
Women	23,551	
		357,598

[1] Married women rendering separate returns included above, 6,682.

It is obvious, upon the face of the returns, that there were more than 79,426 persons out of a total population of approximately a hundred million in this country who had net incomes of from $2,500 to $3,333 for 10 months—the taxable period for the calendar year 1913. It may be said with equal truth that there were more than 114,484 people out of our entire population who had a net income of from $3,333 to $5,000, and more than 101,718 people out of our entire population who had a net income of from $5,000 to $10,000 for the same period. It is clear that there were thousands of persons who failed altogether to make a return as required by law. The remedy for this is, of course, to have the collectors of internal revenue in each district make an assessment upon those who, in the opinion of the collector, are liable to the tax, and, in addition, to make such investigations as may be necessary to determine who in each district have failed to make proper returns.

The experience of the department shows that many erroneous and faulty returns have been made. This is due in most instances not so much to a purpose to escape the tax as to a lack of knowledge of the law. An immense amount of work devolves upon the Internal Revenue Bureau in checking up these returns, discovering errors, and reassessing the tax. This applies both to individuals and corporations. This work is being pushed forward with all possible rapidity.

It should be borne in mind that the returns for the first year of the tax covered 10 months only, from March 1 to December 31, 1913, and that collections of the tax at the source were in operation for only a small part of the year 1913. The fact that collections at the source will cover the entire calendar year 1914 should in itself result in the collection of a larger amount of the revenue to which the Government is entitled. It should be remembered that the largest dividend and interest payments are made on the 1st of January and the 1st of July of each year. No tax was collected for the fiscal year 1914 on dividends and interest payments made on the 1st of January, 1914, because the tax accrued on the 31st of December, 1913. The full returns for the calendar year 1914 will include both January and July payments and should for this reason alone exceed those for the year 1913.

The Commissioner of Internal Revenue has suggested to me a number of amendments which would clear up ambiguities in the act and contribute to the more effective and certain administration of the law. I shall not attempt to discuss these amendments now, as I have not had time to give them full consideration, but I should like to direct particular attention to the necessity for changing that part of the law which requires each person having a *net* income of $3,000 or over for the taxable year to make a return, so as to require

each person having a *gross* income of $3,000 or more for the taxable year to make a return. By this change each and every person having a gross income of $3,000 or more will be required to make a return, showing deductions claimed, and the department will then have the opportunity of passing upon these deductions and determining what amount of net income is taxable. Such an amendment would simplify the administration of the law, assure more complete returns, materially increase the income-tax revenue, and save an immense amount of expense to which the Government is now subjected in maintaining a sufficient corps of inspectors and investigators to hunt out the people who have failed to make returns.

I should also like to direct attention to another amendment that should be made to the income-tax law. The present law provides that the penalty for nonpayment of taxes shall not accrue until 10 days after the close of the fiscal year, and that notice shall be given to each delinquent after the 30th day of June of each year before the 10 days shall begin to run. There is no necessity for this provision, and it imposes upon the department a large amount of unnecessary labor and expense in collecting the tax. Moreover, it encourages taxpayers to withhold payment of a large amount until after the close of a fiscal year, and to that extent affects the estimates and the income for the fiscal year. I respectfully recommend that this feature of the law be repealed and that the penalty for nonpayment of the tax attach on the 1st day of July of each year.

INTERNAL REVENUE.

I respectfully invite the careful attention of Congress to the report of the Commissioner of Internal Revenue. With the new duties thrown upon that bureau, its work has been greatly enlarged and tremendously increased in importance. The commissioner is making vigorous efforts to improve and to perfect administrative methods and to secure increased economy and efficiency.

OUR STOCK OF GOLD.

The political situation in Europe for the past two years has been strained to such a degree that foreign banks generally have been making strenuous efforts to increase their gold reserves. This undoubtedly accounts for the sale in large amounts of American securities that had been held abroad. When war became imminent these sales became more urgent, and were finally cut off only by the closing of the stock exchanges. However, notwithstanding the heavy gold exports that have occurred during the past year, and particularly since last May, the gold holdings of the Treasury on October 31, 1914, were $1,169,562,078, which, compared with $1,258,218,357 on

June 30, 1913, shows a reduction of only $88,656,279 during this period of most unusual demands. Of course, the production of our own gold mines has been an important factor in thus minimizing the effects of the export movement. On June 30, 1914, notwithstanding the exportations of the fiscal year, the stock of gold in the Treasury and national banks was greater by $17,901,855 than on June 30, 1913. The total stock of gold in the country on June 30, 1914, including the holdings of the Treasury and of all national, State, and private banks, together with the amount in private hands and in circulation, was estimated at $1,871,611,723, as compared with $1,866,619,157 on June 30, 1913.

NEW BUILDING FOR BUREAU OF ENGRAVING AND PRINTING.

It is fortunate that the new building for the Bureau of Engraving and Printing was occupied in February last, even before it was completely finished, as it would have been a physical impossibility to have executed the important work of producing the emergency currency, the Federal reserve notes, and regular bank notes if the bureau had not been removed to the new building, which not only gave ample space for the increased volume of work, but afforded the facilities and the accommodations for the welfare of the employees that enabled them to meet the unusual demands upon their endurance.

CURRENCY ISSUES.

Notwithstanding the fact that approximately $500,000,000 of emergency currency had been printed some years ago by the department and was on hand when the emergency arose, a large part of this currency was unavailable because it had been printed under the old Aldrich-Vreeland law unamended, and was based, therefore, upon an arbitrary distribution among the banks in the different States pro rata to their capital and surplus. Many banks did not call for their quota, whereas others wanted much more. The amendments of August 4, 1914, increased the limit of emergency currency that might be issued, removed the restrictions referred to, and made available to many banks a much larger amount than was in stock for them. This threw upon the Bureau of Engraving and Printing an extra demand, which taxed the capacity of the force to the utmost. At the same time it was necessary to prepare the designs and plates and to print notes for the new Federal reserve banks aggregating $250,000,000, so that they would be ready for use when the banks opened for business on the 16th day of November. The office of the Comptroller of the Currency, which is charged by law with the issuance of all national-bank and Federal reserve currency, has been taxed to the utmost to meet the great demands which were sud-

denly thrust upon it, and has had a wholly inadequate force to do the work. It has been necessary to count these millions of notes, to ship them, to keep accurate accounts, and to see that no losses or mistakes were made.

It is only just that I commend the employees in the office of the Comptroller of the Currency and the employees of the Bureau of Engraving and Printing for the admirable spirit and manner in which they have met the extraordinary demands of this extraordinary situation. The work has been done with great loyalty, at great sacrifice of personal comfort and convenience, with decision, dispatch, and remarkable exactness. The interests of the Government have been thoroughly protected at every point and in every particular.

NEW REVENUE CUTTERS.

In my report of last year I respectfully urged the grant of the necessary authority and appropriation for the prompt construction of four new revenue cutters. Congress authorized the construction of two of these cutters. I now earnestly urge that authority be given promptly for the construction of the other two. The need of these vessels is now more than ever imperative. On the Pacific during half the year the entire coast from the mouth of the Columbia River to the Mexican boundary must be left unguarded, owing to the transfer during that period of all cruising cutters to Alaskan waters, where the demand for the service is most urgent. The *Manhattan* (a revenue-cutter tug in New York Harbor) is so old as to be unfit and unsafe to perform her duties, except under most favorable conditions of weather. By the recent loss of the *Tahoma* in Alaskan waters the available vessels have been cut down at a time when the loss could be least sustained. The service is seriously crippled for lack of the necessary ships.

COAST GUARD BILL.

It is again earnestly recommended that the Coast Guard bill, contemplating the consolidation of the Revenue-Cutter Service and the Life-Saving Service, be enacted into law. The measure has already passed the Senate and is now pending in the House of Representatives. This will greatly increase the efficiency of these two valuable arms of the Government. The efficiency of the personnel of the Life-Saving Service has greatly diminished, owing to the impossibility of obtaining or retaining suitable men under existing conditions. Desirable men will not join this hazardous service without the incentive of a retired list to provide for them after their active years are over, or when they become permanently injured in the perform-

ance of their duties. The Coast Guard bill would provide for this retirement in the Life-Saving Service. With the inducements and equities of the Coast Guard bill the service would unquestionably accomplish vastly more and with greater economy than the two organizations have been able to accomplish working independently, with one of them handicapped by a crippled force. This measure is all the more justified because the Life-Saving Service will then receive a military status and will become a first naval reserve in time of war.

ICE PATROL TO PROMOTE SAFETY AT SEA.

In my last annual report it was suggested that the patrol of the ice regions in the North Atlantic should either be discontinued or that some arrangement should be made whereby each nation interested should perform its proportionate part in this important aid to safety at sea. The delegate representing this department at the International Conference on Safety at Sea, which met in London in November, 1913, brought the matter to the attention of the conference, with the result that all the signatory powers were unanimous in their request that the ice patrol be continued by the Revenue-Cutter Service, as heretofore, and each agreed to bear a part of the expense of the patrol proportionate to its interests in trans-Atlantic traffic. As this convention, when ratified, does not take effect until July 1, 1915, it was apparent that unless some temporary arrangement could be made the ice seasons of 1914 and 1915 would pass without any patrol. Accordingly, the Government of Great Britain, on behalf of all the interested nations, inquired under date of January 31, 1914, if the United States would be disposed to commence the new international service under the terms of the convention as early as possible in the month of February last. In the interest of safety to American citizens traveling at sea, and to gratify this international desire, the President directed, on February 7, 1914, that the Revenue-Cutter Service again undertake this ice patrol. Accordingly the cutters *Seneca* and *Miami* were dispatched to the ice regions and rendered a most efficient patrol throughout the entire season of danger. The expenses, other than the part to be paid by this Government, incurred in the prosecution of the patrol will be collected through diplomatic channels.

PUBLIC HEALTH SERVICE.

All previous records of the Public Health Service, both for efficiency and for the volume of work accomplished, have been surpassed during the year. This was made possible by the act of Congress approved August 14, 1912, and the enlarged appropriation granted for the year. The public health activities of the department now

include occupational diseases, rural sanitation, and investigations of the pollution of streams and coastal waters. Attention is being given also to school sanitation, and much valuable data relating to this subject has been collected and published for the benefit of the general public.

Particular attention is invited to the report of the Surgeon General, which will be found among the abstracts of reports of bureaus and divisions.

The health of the people is of paramount importance and every agency that the Government can maintain for that purpose is worth every dollar well expended on it. The Public Health Service is growing every day in importance and public favor. Every reasonable thing should be done to enlarge and improve this service, and I earnestly recommend that adequate appropriations be granted to enable its work to be carried on to the highest limits of efficiency and effectiveness.

National care of lepers.

There is one feature of the Public Health Service to which I desire to draw particular attention, and that is the question of the national care of lepers.

During the year 1912 steps were taken by the Public Health Service by means of correspondence to ascertain the number of officially recognized lepers in the United States and its dependencies. As a result of this investigation a total of 146 cases of leprosy were found present in the continental United States, 41 of these cases having been apprehended during the calendar year 1911. This number necessarily represented only a portion of the cases occurring, as in many States the disease is not notifiable and in others the requirement of notification is difficult of enforcement. Moreover, a commission of officers of the Public Health Service in 1901 made a careful study of the prevalence of leprosy in the United States, and at that time 278 cases were reported in the continental United States, and there is no reason to believe that there was a lessened prevalence of the disease during 1912. Of the 278 cases reported in 1901, 145 were born in the United States. This fact deserves serious consideration, as the general belief is that leprosy rarely occurs among native-born Americans.

Leprosy is known to exist in 18 States and the District of Columbia. Especial provision is made for the care of lepers in only a few States, so that the Public Health Service is frequently called upon by various State and local health authorities, asking that they take charge of persons found within their jurisdiction suffering with leprosy. There should be some general policy which would be uniform throughout the continental United States for the control and

segregation of lepers. This can be accomplished by the establishment of a national leprosarium, with an adequate force to prevent the escape of lepers who may be confined therein, and where such lepers may receive the necessary medical treatment under pleasant and agreeable surroundings, which will tend to make their confinement not a hardship and thus lessen their desire for escape. The United States is the only Government of any importance not providing for the isolation and care of lepers.

I respectfully recommend that the establishment of a national leprosarium be given prompt and careful consideration and that a bill be passed by the Congress giving adequate authority to the Public Health Service to carry out properly the isolation of lepers and making provision for their maintenance and treatment while under the care and supervision of the Government.

TRANSPORTATION OF MONEYS AND SECURITIES.

The Treasury Department is making a careful investigation of the facilities of the parcel post or registered mail for the transportation of all moneys and securities between the Treasury, the subtreasuries, and the banks. If this is a feasible plan, a great economy to the Government and banks will be effected.

For 25 years the United States Express Co., under an arrangement dated March 31, 1889, as modified and amended November 1, 1894, and June 1, 1912, has transported all moneys and securities. On all kinds of paper money this company charged 20 cents per thousand dollars to all points reached by its lines. To points on other lines the charges were from 50 to 75 cents per thousand dollars. Gold coin and bullion were carried at $0.001 a mile per thousand dollars, with a minimum charge of $0.50 per thousand, and silver coin and bullion were carried at $0.004 a mile per thousand dollars, with a minimum charge of $1 per thousand. The total payments to the United States Express Co. during the past three years have averaged approximately $375,000 annually, of which about $245,000 was reimbursable by the national banks. On June 29, 1914, the various express companies were invited to submit proposals for the execution of this work in place of the United States Express Co., and on July 8, 1914, bids were submitted which were essentially the same as the rates under the old contract with the United States Express Co. There was only a negligible reduction. I have felt that the rates submitted were excessive, especially in view of the possibilities of the Postal Service, and have deemed it inadvisable to accept any of these proposals up to this time.

The Postmaster General is heartily cooperating with this department in making a thorough test of the feasibility of having all ship-

ments in the future made through the mails. Several experiments already have been made with great saving to the Government.

A few months ago $50,000,000 in gold coin was shipped from the Philadelphia Mint to the New York Subtreasury by parcel post, properly insured and under guard of secret-service operatives and employees of the Treasury and Post Office Departments. The total transportation charges on this shipment, including insurance, were only $3,376.18, or about 6¾ cents per thousand dollars, as against a charge of $25,000, or 50 cents per thousand dollars, which would have been the cost by express.

Two additional gold shipments aggregating $28,750,000 have been made from Philadelphia to New York, on which the total charges were $2,306.40, as against the express company rate of $14,375.

A shipment of $5,000,000 from Philadelphia to Boston was made at a cost of $851.10, as compared with $2,500 under the express arrangement.

The total savings on these experimental shipments alone, by way of the parcel post, have amounted to $35,341.32.

A few weeks ago it became necessary to ship $75,000,000 in gold from the Denver Mint to the New York and Boston Subtreasuries. The Treasury Department took up the question with the Post Office Department with a view to utilizing the parcel post again. The mere knowledge of these negotiations between the two departments caused the express companies to come forward with a reasonable bid which was vastly lower than the rates the Government has paid for a quarter of a century.

Under the old rates this shipment would have cost $112,500, or $1.50 per $1,000 of gold transported. When the express companies learned that the shipment might be made by parcel post, they made a rate of 50 cents per $1,000 of gold transported.

The shipment was, therefore, made by express at a cost of $37,500, thus effecting a saving to the Government on this single shipment of $75,000.

It has been necessary to move these large amounts of gold between the subtreasuries on account of the emergency conditions that have existed.

In connection with the shipments of Federal reserve notes to the 12 Federal reserve banks, the express rate on currency had been 20 cents per thousand to the cities in which the Federal reserve banks are located, except Richmond, Atlanta, and San Francisco, the Richmond rate being 35 cents, the Atlanta rate 65 cents, and the San Francisco rate $1 per thousand, respectively. To meet the threatened competition by mail, the express companies consented to reduce their rates to Richmond and Atlanta to 20 cents per thousand and to San Francisco to 50 cents per thousand, making a uni-

form rate of 20 cents per thousand to all of the reserve cities except San Francisco, where the rate was reduced from $1 to 50 cents per thousand.

On the shipments of $20,800,000 it is estimated that the saving effected by these reduced express rates amounted to $1,390.

There has been an actual total saving to the Government on the entire shipments, over rates always paid heretofore, of $111,731.32.

It is hoped that an arrangement may be perfected whereby the mails may be used exclusively or in conjunction with the express companies to do this business for the Government. Not only would there be a great saving, but there would be an elimination of many delays. The mail service is much faster, in many instances, because between points where an express company has not a direct line it is necessary to use the lines of two companies and the route is frequently circuitous.

PUBLIC BUILDINGS.

The Public Buildings Commission appointed by the Congress submitted a report on this extremely important matter, which I respectfully recommend to the attention of the Congress. The public-building problem is one of the most difficult with which this department has to deal. During the coming year I hope to be able to secure an improvement in administrative methods with a view to greater efficiency and economy.

CENTRAL HEATING AND POWER PLANT.

Detailed plans and specifications for the central heating and power plant authorized by the sundry civil act approved June 23, 1913, are in progress, and as soon as they have been completed and approved bids will be taken with a view to letting a contract at the earliest possible date.

PANAMA CANAL.

The expenditures on account of the Panama Canal during the fiscal year 1914 amounted to $34,826,941.76, and the general fund of the Treasury was adequate to meet these expenditures without the sale of additional bonds. The total amount expended for the canal from the general fund to June 30, 1914, reimbursable from proceeds of bonds not yet sold, was $214,452,055.08.

CONTINGENT FUND.

The "Contingent fund for the Secretary of the Treasury" for the current fiscal year is $20,000. It is earnestly recommended that a like amount be appropriated for the next fiscal year. This fund is

urgently needed for use in making effective investigations, trying out new and improved administrative methods, eradicating abuses, and protecting the public interest in many ways. With the increased and increasing activities of the department this fund is essential to proper and efficient administration.

GROWTH OF WORK IN THE TREASURY DEPARTMENT.

The work in the Treasury Department has expanded to an unprecedented extent during the past year. In addition to the normal growth of the department in keeping with the progress of the country, many additional features have been added to its activities by law and by the necessity for the use by the Government of its good offices in dealing with the business and financial situation resulting from the European war. The additional burdens have been assumed and the work carried on with a relatively insignificant increase in expenditures. While appropriations have been made for the collection of the income tax, the administration of the War Risk Insurance Bureau, and the like, there has been a large saving by the practice of strict economy, the elimination of unnecessary employees, and the adoption of improved methods. Much of the extra work has been done without any increase in force whatever.

FINANCES.

The following statements showing receipts, disbursements, estimates, and the condition of the Treasury are submitted:

Receipts and Disbursements.

Fiscal year 1914.

The receipts and disbursements of the Government during the fiscal year ended June 30, 1914, were as follows:

General Fund.

Receipts into the general fund, including various trust-fund receipts, but excluding postal revenues:		
Customs		$292,320,014.51
Internal revenue—		
Ordinary	$308,659,732.56	
Corporation excise tax	10,671,077.22	
Corporation income tax	32,456,662.67	
Individual income tax	28,253,534.85	
		380,041,007.30
Sales of public lands		2,571,774.77
Miscellaneous		59,740,370.13
Total ordinary receipts		734,673,166.71

Disbursements from the general fund for current expenses and capital outlays, including various trust-fund disbursements, but excluding postal and Panama Canal disbursements:		
For civil establishment—		
Legislative establishment	$13,468,827.66	
Executive office	564,134.36	
State Department	5,253,911.78	
Treasury Department proper	48,862,059.68	
Public buildings, construction and sites	11,277,797.10	
War Department, civil	2,237,069.37	
Department of Justice	10,188,151.26	
Post Office Department	2,236,202.24	
Navy Department, civil	860,873.02	
Interior Department proper	22,656,130.62	
Department of Agriculture	22,208,141.12	
Department of Commerce	10,958,882.40	
Department of Labor	3,768,904.05	
Independent offices	3,232,179.61	
District of Columbia	12,756,971.18	
	170,530,235.45	
For military establishment: Army, Military Academy, and militia, $105,542,431.71; fortifications, arsenals, military posts, etc., $7,759,118.77; rivers and harbors, $49,921,592.16; miscellaneous public works, $452,365.52; miscellaneous objects, $9,847,296.04.	173,522,804.20	
For naval establishment, including construction of new vessels, machinery, armament, equipment, improvement at navy yards, and miscellaneous	139,682,186.28	
For Indian service	20,215,075.96	
For pensions	173,440,231.12	
For interest on the public debt	22,863,956.70	
Total ordinary disbursements		$700,254,489.71
Excess of ordinary receipts		34,418,677.00
Panama Canal disbursements:		
Disbursements for canal provided from general fund		34,826,941.76
Excess of disbursements, including the Panama Canal		408,264.76
Issues and redemptions of public debt:		
National-bank note fund—		
Redemptions	$26,852,200.00	
Receipts	19,902,282.50	
Excess of redemptions over receipts		6,949,917.50
Miscellaneous redemptions		109,127.00
		7,467,309.26
Postal savings—		
Proceeds of bonds issued on savings deposits		3,118,940.00
Total excess of disbursements over receipts into general fund		4,348,369.26

General fund balances:	
Balance in general fund June 30, 1913	165,960,984.79
Excess of general-fund disbursements for year	4,348,369.26
Balance in general fund June 30, 1914	161,612,615.53

SUMMARY OF GENERAL-FUND TRANSACTIONS.

Fiscal year ended June 30, 1914.

	Receipts.	Disbursements.
Ordinary receipts, including various trust-fund receipts, but excluding postal revenues	$734,673,166.71	
Disbursements for current expenses and capital outlays, including various trust-fund disbursements, but excluding postal and Panama Canal disbursements		$700,254,489.71
Panama Canal disbursements		34,826,941.76
National-bank note fund:		
Receipts	19,902,282.50	
Redemptions		26,852,200.00
Miscellaneous redemptions of the public debt		109,127.00
Receipts, postal savings bonds	3,118,940.00	
Total receipts into the general fund	757,694,389.21	
Excess of disbursements over receipts	4,348,369.26	
Grand totals	762,042,758.47	762,042,758.47

POSTAL SERVICE.

Exclusive of Post Office Department proper, which is included in "civil establishment."

Postal revenue receipts	$287,934,565.67
Postal service paid from postal revenues of the year	283,558,102.62
Excess of postal receipts	4,376,463.05

UNITED STATES NOTES (GREENBACKS).

Issues to replace worn and mutilated notes	$168,220,000.00
Worn and mutilated notes retired	168,220,000.00

The redemptions during the year of the notes unfit for circulation necessitated the issue of a like amount thereof to maintain the outstanding aggregate of the notes as required by law.

GOLD RESERVE FUND.

Balance in reserve fund June 30, 1913	$150,000,000.00
Balance in reserve fund June 30, 1914	150,000,000.00

The redemptions of notes for gold from the reserve fund during the year were United States notes, $73,194,576, and Treasury notes of 1890, $4,500, a total of $73,199,076.

As the redeemed notes were exchanged each day for gold in the general fund, the reserve was maintained at the fixed sum of $150,000,000 required by law.

TRUST FUNDS.

Reserved against outstanding gold and silver certificates and Treasury notes of 1890.

Issues:		
Gold certificates issued	$505,300,000.00	
Silver certificates issued	401,568,000.00	
Total set aside in trust funds		$906,868,000.00

Redemptions:		
Gold certificates redeemed	$511,272,300.00	
Silver certificates redeemed	394,268,000.00	
Treasury notes of 1890 redeemed	221,000.00	
Total redemptions paid out of trust funds		$905,761,300.00
Increase in trust funds during year		1,106,700.00
Balances in trust funds June 30, 1913		1,573,157,169.00
Balances in trust funds June 30, 1914		1,574,263,869.00

SINKING FUND.

The securities redeemed on account of the sinking fund, included in general-fund disbursements, were as follows:

Fractional currency	$2,137
1-year notes of 1863	20
Funded loan of 1891	1,000
Refunding certificates	270
Funded loan of 1907	105,500
Loan of 1904	200
Total	109,127

CONDITION OF THE TREASURY JUNE 30, 1914.

The public debt of the United States at the close of the fiscal year, as stated in the debt statement of June 30, 1914, is set forth in detail, as follows:

Interest-bearing debt:		
Loan of 1925, 4 per cent	$118,489,900.00	
Loan of 1908–1918, 3 per cent	63,945,460.00	
Consols of 1930, 2 per cent	646,250,150.00	
Panama Canal loan, 2 per cent	84,631,980.00	
Panama Canal loan, 3 per cent	50,000,000.00	
Postal savings bonds, 2½ per cent	4,635,820.00	
		$967,953,310.00
Debt on which interest has ceased:		
Funded loan of 1891	27,650.00	
Loan of 1904	13,050.00	
Funded loan of 1907	594,900.00	
Refunding certificates	13,300.00	
Old debt	903,660.26	
		1,552,560.26
Debt bearing no interest:		
United States notes (greenbacks)	346,681,016.00	
National-bank notes, redemption account	15,142,888.50	
Old demand notes	53,152.50	
Fractional currency	6,852,472.90	
		368,729,529.90
Total interest and noninterest-bearing debt		1,338,235,400.16
Certificates and notes issued on deposits of coin and silver bullion:		
Gold certificates	1,080,974,869.00	
Silver certificates	490,850,000.00	
Treasury notes of 1890	2,439,000.00	
		1,574,263,869.00
Total debt June 30, 1914		2,912,499,269.16

Cash in the Treasury June 30, 1914.

[From revised statements.]

Reserve fund:			
Gold coin and bullion			$150,000,000.00
Trust funds:			
Gold coin and bullion		$1,080,974,869.00	
Silver dollars		490,850,000.00	
Silver dollars of 1890		2,439,000.00	
			1,574,263,869.00
General fund:			
In Treasury offices—			
Gold coin	$48,137,240.70		
Gold certificates	54,825,730.00		
Standard silver dollars	4,682,993.00		
Silver certificates	12,248,023.00		
United States notes	8,835,369.00		
Treasury notes of 1890	11,237.00		
National-bank notes	9,231,218.00		
Certified checks on banks	379,907.03		
Silver bullion (at cost)	2,854,183.72		
Subsidiary silver coin	22,040,989.10		
Fractional currency	243.22		
Minor coin	2,117,480.49		
Awaiting reimbursement, United States bonds and interest paid	9,749.30		
		165,374,363.56	
Deduct current liabilities—			
National-bank 5 per cent fund	28,793,173.29		
Less notes in process of redemption	26,260,644.46		
	2,532,528.83		
Outstanding warrants and checks	8,056,673.44		
Balances to credit of disbursing officers	64,277,853.19		
Post Office Department balances	8,379,505.94		
Miscellaneous items	7,861,531.16		
Postal savings—5 per cent account	1,677,472.20		
	92,785,564.76		
Less warrants and checks not cleared	11,981,205.94		
		80,804,358.82	
Working balance in Treasury offices			84,570,004.74

General fund—Continued.			
In national-bank depositories—			
To credit of the Treasurer of the United States	$60,915,638.13		
To credit of disbursing officers	8,372,731.49		
In transit to Treasury offices	15,755,400.00		
		$85,043,769.62	
In treasury of the Philippine Islands—			
To credit of the Treasurer of the United States	515,851.43		
To credit of United States disbursing officers	3,379,057.95		
		3,894,909.38	
		88,938,679.00	
Deduct current liabilities—			
Outstanding warrants	144,278.77		
Balances to the credit of disbursing officers	11,751,789.44		
		11,896,068.21	
Balances in banks and in treasury of Philippine Islands			$77,042,610.79
Total balance in general fund June 30, 1914			161,612,615.53
Total balance in general fund June 30, 1913			165,960,984.79
Decrease in 1914			4,348,369.26

Comparison of receipts, fiscal years 1913 and 1914.

	1914	1913	Increase, 1914.	Decrease, 1914.
Customs	$292,320,014.51	$318,891,395.86		$26,571,381.35
Internal revenue:				
Ordinary	308,659,732.56	309,410,665.81		750,933.25
Corporation excise tax	10,671,077.22	35,006,299.84		24,335,222.62
Corporation income tax	32,456,662.67		$32,456,662.67	
Individual income tax	28,253,534.85		28,253,534.85	
Sales of public lands	2,571,774.77	2,910,204.69		338,429.92
Consular fees	1,950,089.11	1,798,038.57	152,050.54	
Chinese indemnity	806,083.88	644,500.26	161,583.62	
Profits on coinage, bullion deposits, etc.	6,182,560.03	5,545,148.05	637,411.98	
Payment of interest by Pacific railways	9,035.75	9,493.19		457.44
Tax on circulation of national banks	3,883,198.14	3,730,059.08	153,139.06	
Interest on public deposits	963,768.90	34,609.91	929,158.99	
Night services, customs service	195,832.70	229,971.40		34,138.70
Customs fees, fines, penalties, etc	1,025,255.55	1,588,201.84		562,946.29
Proceeds of militia property lost or destroyed	166,850.70		166,850.70	
Navy hospital and clothing funds, fines and forfeitures, etc	804,297.83	1,026,118.12		221,820.29
Sales of ordnance material, etc	146,058.46	202,432.25		56,373.79
Land fees	1,655,498.65	1,643,041.08	12,457.57	
Fees on letters patent	2,168,516.23	2,077,101.69	91,414.54	
Compromise and repurchase of forfeited lands	203,648.92	648,582.95		444,934.03
Depredations on public lands	219,095.98	103,600.40	115,495.58	
Proceeds of town sites, Reclamation Service	15,280.25	17,784.74		2,504.49
Forest reserve fund	2,486,900.89	2,466,927.23	19,973.66	
Immigrant fund	5,216,149.76	4,735,062.00	481,087.76	

Comparison of receipts, fiscal years 1913 and 1914—Continued.

	1914	1913	Increase, 1914.	Decrease, 1914.
Naturalization fees	$446,208.50	$390,425.50	$55,783.00	
Proceeds of sealskins	50,547.31	130,640.57		$80,093.26
Annual yacht tax	386,769.57	88.34	386,681.23	
Alaska fund	270,360.43	205,907.28	64,453.15	
Judicial fees, fines, penalties, etc	1,129,856.60	1,123,949.87	5,906.73	
Surplus postal revenues for fiscal year 1913	3,800,000.00		3,800,000.00	
Sales of Government property	1,388,981.84	3,480,618.06		2,091,636.22
Rent of public buildings, grounds, etc	220,068.12	268,301.09		48,232.97
Sales of lands and buildings	4,485.00	72,795.79		68,310.79
District of Columbia, general receipts	8,080,420.74	8,070,369.29	10,051.45	
Funds contributed for river and harbor improvements	1,655,427.33	1,020,520.00	634,907.33	
Panama Canal, rentals, work done, etc	698,647.87	1,693,147.47		994,499.60
Reimbursements on account of expenditures made for Indian tribes	149,449.16	531,915.82		382,466.66
Miscellaneous	1,464,420.84	2,159,951.41		695,530.57
TRUST FUNDS.				
Library of Congress:				
Trust fund bequest		20,000.00		20,000.00
Department of State:				
Miscellaneous trust funds	142,018.92	181,047.36		39,028.44
War Department:				
Army deposit fund	2,023,440.73	1,589,835.51	433,605.22	
Soldiers' Home permanent fund	445,303.89	504,289.93		58,986.04
Miscellaneous trust funds		4,518.19		4,518.19
Navy Department:				
Navy deposit fund	177,018.00	284,608.56		107,590.56
Marine Corps deposit fund	113,279.00	159,880.80		46,601.80
Interior Department:				
Deposits for surveying public lands	54,429.13	67,774.26		13,345.13
Proceeds of Indian lands	3,248,054.93	3,739,104.72		491,049.79
Indian moneys, proceeds of labor	4,668,179.99	4,489,248.60	178,931.39	
Miscellaneous trust funds	90,590.52	156,199.22		65,608.70
Personal funds of patients, Government Hospital for Insane	30,291.90	23,864.84	6,427.06	
Pension money, Government Hospital for Insane	99,989.83	97,396.46	2,593.37	
District of Columbia:				
Miscellaneous trust-fund deposits	419,200.78	510,120.53		90,919.75
Washington redemption fund	121,947.42	117,769.02	4,178.40	
Police and firemen's relief funds	124,325.01	109,703.38	14,621.63	
Other trust funds	7,043.16	19,618.47		12,575.31
Total	734,541,674.83	723,942,849.30	69,228,961.48	58,630,135.95
Deduct—				
Moneys covered by warrant in year subsequent to the deposit thereof	505,970.59	337,590.05	168,380.54	
	734,035,704.24	723,605,259.25	69,060,580.94	58,630,135.95
Add—				
Moneys received in fiscal year but not covered by warrant	637,462.47	505,970.59	131,491.88	
Ordinary receipts	734,673,166.71	724,111,229.84	69,192,072.82	58,630,135.95
Public debt:				
Postal savings bonds	3,118,940.00	1,929,840.00	1,189,100.00	
National-bank note fund	19,902,282.50	21,471,010.00		1,568,727.50
Public debt receipts	23,021,222.50	23,400,850.00	1,189,100.00	1,568,727.50
Total receipts, exclusive of postal	757,694,389.21	747,512,079.84	70,381,172.82	60,198,863.45
Postal revenues	287,934,565.67	266,619,525.65	21,315,040.02	
Total receipts, including postal	1,045,628,954.88	1,014,131,605.49	91,696,212.84	60,198,863.45

Comparison of disbursements, fiscal years 1913 and 1914.

	1914	1913	Increase, 1914.	Decrease, 1914.
CIVIL ESTABLISHMENT.				
Legislative:				
Senate	$1,821,485.71	$1,934,416.04		$112,930.33
House of Representatives	5,011,755.90	5,148,038.19		136,282.29
Legislative, miscellaneous	508,231.46	175,557.23	$332,674.23	
Public Printer	5,464,899.79	5,444,754.11	20,145.68	
Library of Congress	629,454.70	559,255.78	70,198.92	
Botanic Garden	33,000.10	29,792.17	3,207.93	
Total legislative	13,468,827.66	13,291,813.52	426,226.76	249,212.62
Executive proper:				
Salaries and expenses	211,497.69	214,012.15		2,514.46
Administration of the customs laws	7.34	10,438.81		10,431.47
Inquiries for change of methods of transacting public business	197.73	78,083.62		77,885.89
Civil Service Commission	352,431.60	289,480.15	62,951.45	
Total executive proper	564,134.36	592,014.73	62,951.45	90,831.82
Department of State:				
Salaries and expenses	348,329.70	343,226.33	5,103.37	
Foreign intercourse—				
Diplomatic salaries	783,025.00	733,409.76	49,615.24	
Consular salaries	1,512,659.50	1,427,968.89	84,690.61	
Contingent expenses of foreign missions	384,288.14	329,769.71	54,518.43	
Contingencies of consulates	463,733.45	453,572.23	10,161.22	
Emergencies arising in the Diplomatic and Consular Service	87,700.59	47,736.41	39,964.18	
Relief of American citizens in Mexico	376,781.91		376,781.91	
Payment to Panama	500,000.00		500,000.00	
Miscellaneous items	695,067.73	585,649.16	109,418.57	
Trust funds	102,325.76	1,057,047.60		954,721.84
Total Department of State	5,253,911.78	4,978,380.09	1,230,253.53	954,721.84
Treasury Department:				
Salaries Secretary's office and divisions thereof	620,492.84	617,923.39	2,569.45	
Contingent fund for Secretary	11,975.17	14,794.96		2,819.79
Contingent expenses of department	249,176.75	245,605.34	3,571.41	
Customs Service—				
Collecting customs revenues	10,083,750.47	10,924,669.88		840,919.41
Detection and prevention of frauds	149,463.41	160,422.98		10,959.57
Refunding excess of deposits	5,148,489.43	3,957,897.95	1,190,591.48	
Debentures or drawbacks	3,366,634.97	4,653,388.39		1,286,753.42
Compensation in lieu of moieties	17,406.72	49,975.69		32,568.97
Miscellaneous refunds	31,859.66	56,934.81		25,075.15
Internal-Revenue Service—				
Expenses of collecting	5,899,462.63	5,514,201.00	385,261.63	
Refunds and reliefs	856,930.52	885,817.21		28,886.69
Suppressing counterfeiting and other crimes	131,599.75	134,044.88		2,445.13
Accounting offices	1,661,350.46	1,696,951.67		35,601.21
Miscellaneous offices	1,121,671.25	1,062,435.28	59,235.97	
Public Health Service	2,162,485.56	1,984,608.91	177,876.65	
Epidemic diseases	179,431.00	245,636.54		66,205.54
Engraving and Printing	4,048,542.28	3,538,146.11	510,396.17	
Paper, etc., for United States securities	489,125.75	420,738.85	68,386.90	
Revenue-Cutter Service	2,310,656.90	2,328,706.80		18,049.90
Revenue vessels	179,845.96	211,063.88		31,217.92
Life-Saving Service	2,370,264.82	2,344,609.83	25,654.99	
Independent Treasury	765,185.01	648,247.49	116,937.52	
Mints and assay offices	1,739,895.39	1,067,509.26	672,386.13	
Public buildings—				
Sites, construction, and equipment	11,277,797.10	14,021,781.21		2,743,984.11
Current maintenance	4,692,173.40	4,704,202.99		12,029.59
Miscellaneous items	143,871.12	85,572.10	58,299.02	
Special funds—				
Philippine special funds	233,710.70	308,986.22		75,275.52
Night services, Customs Service	196,607.76	229,075.98		32,468.22
Total Treasury Department	60,139,856.78	62,113,949.60	3,271,167.32	5,245,260.14

Comparison of disbursements, fiscal years 1913 and 1914—Continued.

	1914	1913	Increase, 1914.	Decrease, 1914.
CIVIL ESTABLISHMENT—continued.				
War Department:				
Salaries and expenses	$1,809,971.86	$1,857,794.17		$47,822.31
Public buildings and grounds	427,097.51	362,666.07	$64,431.44	
Total War Department	2,237,069.37	2,220,460.24	64,431.44	47,822.31
Navy Department:				
Salaries and expenses	860,873.02	829,554.96	31,318.06	
Interior Department:				
Salaries and expenses, office of Secretary	784,271.24	680,051.37	104,219.87	
General Land Office	668,622.15	678,321.93		9,699.78
Public lands service	2,464,646.66	2,700,073.99		235,427.33
Indian Office	304,193.83	226,033.99	78,159.84	
Pension Office	1,952,233.61	1,986,349.75		34,116.14
Patent Office	1,460,882.66	1,452,151.62	8,731.04	
Bureau of Education	301,590.53	289,306.12	12,284.41	
Colleges for agriculture and the mechanic arts	2,500,000.00	2,500,000.00		
Geological Survey	1,368,544.74	1,268,782.60	99,762.14	
Bureau of Mines	645,167.58	564,986.56	80,181.02	
Office of Superintendent of Capitol Building and Grounds	726,185.10	587,573.08	138,612.02	
National parks	346,130.19	165,388.40	180,741.79	
Beneficiaries	637,418.95	623,921.36	13,497.59	
Meridian Hill Park, District of Columbia		51,922.93		51,922.93
Protecting lands and property in the Imperial Valley	46,000.00	50,240.46		4,240.46
Construction, etc., of railroads in Alaska	115,000.00		115,000.00	
Enlarging the Capitol grounds	4,000.00	1,119,156.72		1,115,156.72
Miscellaneous items	110,518.31	65,932.61	44,585.70	
Special funds—				
Reclamation fund	7,709,350.92	6,607,086.09	1,102,264.83	
Five, three, and two per cent funds, sales of lands	120,763.40	238,889.77		118,126.37
Revenues of national parks and Hot Springs, Ark	69,993.54	59,454.18	10,539.36	
Public schools, Alaska fund	61,607.96	58,250.74	3,357.22	
Miscellaneous special funds	8,243.41	34,728.72		26,485.31
Trust funds—				
Deposits for surveying public lands	151,197.83	161,510.47		10,312.64
Miscellaneous trust funds	99,568.01	213,643.24		114,075.23
Total Interior Department	22,656,130.62	22,383,756.70	1,991,936.83	1,719,562.91
Post Office Department:				
Salaries and expenses	1,837,947.24	1,555,422.65	282,524.59	
Deficiency in postal revenues		1,027,368.79		1,027,368.79
Establishing postal savings depositories	38,228.06	230,305.23		192,077.17
Parcel post equipment	359,767.74	370,217.26		10,449.52
Miscellaneous items	259.20	13,395.83		13,136.63
Total Post Office Department	2,236,202.24	3,196,709.76	282,524.59	1,243,032.11
Department of Agriculture:				
Salaries and miscellaneous	6,517,648.00	5,972,891.65	544,756.35	
Expenses, Animal Industry	1,467,709.63	1,283,929.54	183,780.09	
Meat inspection, Animal Industry	3,174,456.07	2,933,855.04	240,601.03	
Expenses of Plant Industry and cotton-boll weevil investigation	1,991,826.10	1,617,185.43	374,640.67	
Purchase of seeds	285,527.11	286,549.94		1,022.83
Forest Service	3,274,721.63	2,998,875.59	275,846.04	
Acquisition of lands for protection of watersheds, navigable streams	838,861.61	897,245.99		58,384.38
Enforcement food and drugs act	624,043.23	536,518.57	87,524.66	
Agricultural experiment stations	1,577,444.65	1,598,565.32		21,120.67
Weather Bureau	1,548,936.12	1,636,466.27		87,530.15
Special funds—				
Payments to States and Territories from National Forests fund	586,593.39	506,603.58	79,989.81	
Roads and trails for States	227,477.27	153,524.49	73,952.78	
Miscellaneous special funds	92,896.31	46,816.29	46,080.02	
Total Department of Agriculture	22,208,141.12	20,469,027.70	1,907,171.45	168,058.03

Comparison of disbursements, fiscal years 1913 and 1914—Continued.

	1914	1913	Increase, 1914.	Decrease, 1914.
CIVIL ESTABLISHMENT—continued.				
Department of Commerce:				
Salaries and expenses	$884,277.56	$846,963.91	$37,313.65	
Bureau of Standards	595,469.88	622,048.15		$26,578.27
Census Office	1,220,366.34	1,334,295.25		113,928.91
Coast and Geodetic Survey	999,375.86	1,003,523.23		4,147.37
Lighthouse Establishment	5,731,075.07	5,472,158.71	258,916.36	
Bureau of Fisheries	959,599.98	1,399,439.41		439,839.43
Fish hatcheries	46,060.90	45,006.32	1,054.58	
Steamboat-Inspection Service	517,964.33	527,980.89		10,016.56
Miscellaneous items	4,692.48	12,041.21		7,348.73
Total Department of Commerce	10,958,882.40	11,263,457.08	297,284.59	601,859.27
Department of Labor:				
Salaries and expenses	120,714.19	16,000.00	104,714.19	
Bureau of Labor Statistics	179,331.37	164,154.16	15,177.21	
Bureau of Naturalization	291,218.39		291,218.39	
Bureau of Immigration	76,819.92	344,084.92		267,265.00
Regulating immigration	2,562,759.49	2,455,387.72	107,371.77	
Immigration stations	510,921.48	251,943.98	258,977.50	
Special fund, immigration stations	1,850.00	96,158.12		94,308.12
Children's bureau	25,289.21	19,651.21	5,638.00	
Total Department of Labor	3,768,904.05	[1]3,347,380.11	783,097.06	361,573.12
Department of Justice:				
Salaries and expenses	1,588,572.58	1,523,067.65	65,504.93	
Salaries of justices, assistant attorneys, etc	1,509,390.92	1,619,479.79		110,088.87
Court of Claims	67,480.00	65,102.55	2,377.45	
Salaries, fees, etc., of marshals	1,526,227.64	1,595,184.91		68,957.27
Fees of witnesses	1,138,958.42	1,210,449.98		71,491.56
Salaries and fees, district attorneys	631,126.00	631,925.00		799.00
Fees of jurors	1,048,873.38	1,048,104.23	769.15	
Fees of clerks	245,697.46	243,529.45	2,168.01	
Fees of commissioners	129,659.04	116,972.04	12,687.00	
Support of prisoners	506,441.41	521,087.84		14,646.43
Pay of bailiffs	259,204.79	275,733.93		16,529.14
Miscellaneous expenses, United States courts	491,932.88	580,055.80		88,122.92
Miscellaneous items	1,044,586.74	992,939.02	51,647.72	
Total Department of Justice	10,188,151.26	10,423,632.19	135,154.26	370,635.19
Independent bureaus and offices:				
Interstate Commerce Commission	2,010,695.66	1,644,299.39	366,396.27	
Smithsonian Institution	147,849.31	152,403.56		4,554.25
National Museum	366,995.78	418,955.87		51,960.09
Zoological Park	106,388.32	105,338.13	1,050.19	
Territorial governments	175,792.34	217,433.30		41,640.96
State, War, and Navy Department Building	173,370.32	160,865.91	12,504.41	
Commissions	251,087.88	179,029.79	72,058.09	
Total independent bureaus and offices	3,232,179.61	2,878,325.95	452,008.96	98,155.30
District of Columbia:				
Salaries and expenses	11,239,632.56	11,249,763.13		10,130.57
Special funds—				
Water department	771,957.06	836,348.25		64,391.19
Miscellaneous special funds	2,746.28	8,279.42		5,533.14
Trust funds—				
Miscellaneous trust-fund deposits	485,557.94	505,758.16		20,200.22
Washington redemption fund	116,549.30	116,694.95		145.65
Police and firemen's relief funds	129,723.87	105,472.26	24,251.61	
Other trust funds	10,804.17	18,894.62		8,090.45
Total District of Columbia	12,756,971.18	12,841,210.79	24,251.61	108,491.22
Total Civil Establishment	170,530,235.45	170,829,673.42	10,959,777.91	11,259,215.88
MILITARY ESTABLISHMENT.				
Quartermaster Corps	32,017,815.93	29,725,187.39	2,292,628.54	
Pay, etc., of the Army	48,071,055.35	48,559,871.71		488,816.36
Subsistence of the Army	9,981,927.81	10,193,025.64		211,097.83
National cemeteries	245,471.49	258,498.68		13,027.19

[1]Includes all expenditures made during the fiscal year 1913 for bureaus and offices transferred to the Department of Labor, which was created Mar. 4, 1913.

Comparison of disbursements, fiscal years 1913 and 1914—Continued.

	1914	1913	Increase, 1914.	Decrease, 1914.
MILITARY ESTABLISHMENT—contd.				
Medical Department	$842,450.02	$868,099.11		$25,649.09
Ordnance Department	8,120,200.21	6,500,645.77	$1,619,554.44	
Engineer Department	2,790,115.28	2,074,046.38	716,068.90	
Signal Service	722,377.97	756,214.64		33,836.67
Military Academy	1,122,587.18	1,261,078.96		138,491 78
Improving harbors	11,278,529.23	9,923,121.43	1,355,407.80	
Improving rivers	37,030,963.78	31,539,430.41	5,491,533.37	
Military posts	2,710,292.21	2,469,855.80	240,436.41	
National homes for disabled soldiers	3,692,930.68	3,837,932.65		145,001.97
State homes for disabled soldiers	831,917.57	1,549,771.16		717,853.59
Militia	6,912,315.48	5,944,466.68	967,848.80	
Raising the U. S. S. Maine	48,363.70	72,139.48		23,775.78
Sufferers from floods, Mississippi and Ohio Valleys	633,210.67	169,797.29	463,413.38	
Soldiers' Home interest account	100,266.22	98,780.49	1,485.73	
Monuments	120,559.39	78,528.55	42,030.84	
War claims and relief acts	610,765.77	645,846.79		35,081.02
Expenses interned Mexican soldiers and refugees	298,259.65		298,259.65	
Miscellaneous items	798,217.20	946,635.56		148,418.36
Special funds:				
Wagon roads, etc., Alaska fund	166,423.74	227,932.05		61,508.31
Ordnance material, powder, etc	87,217.36	61,616.40	25,600.96	
For rivers and harbors	1,512,099.15	807,770.00	704,329.15	
Miscellaneous special funds	6,557.65	137,158.89		130,601.24
Trust funds:				
Pay of the Army, deposit fund	2,364,761.89	1,189,163.52	1,175,598.37	
Soldiers' Home permanent fund	405,151.62	486,319.23		81,167.61
Miscellaneous trust funds		4,518.19		4,518.19
Total Military Establishment	173,522,804.20	160,387,452.85	15,394,196.34	2,258,844.99
NAVAL ESTABLISHMENT.				
Increase of the Navy	31,728,366.59	29,436,786.37	2,291,580.22	
Bureau of Yards and Docks	4,462,635.29	6,002,676.39		1,540,041.10
Bureau of Equipment	9,115,450.35	8,075,366.28	1,040,084.07	
Bureau of Navigation	2,450,460.05	2,964,348.85		513,888.80
Bureau of Construction and Repair	7,792,410.44	7,702,238.98	90,171.46	
Bureau of Ordnance	15,029,643.64	14,856,414.42	173,229.22	
Bureau of Steam Engineering	6,275,571.91	5,477,048.18	798,523.73	
Bureau of Supplies and Accounts	9,681,844.37	9,972,017.46		290,173.09
Bureau of Medicine and Surgery	564,897.22	536,406.99	28,490.23	
Marine Corps	7,672,972.53	6,953,293.21	719,679.32	
Naval Academy	622,248.17	704,016.39		81,768.22
Pay of the Navy	39,807,607.47	37,992,814.90	1,814,792.57	
Judgments, Court of Claims and United States courts	8,241.72	198,381.77		190,140.05
General account of advances	2,838,395.17	130,376.10	2,708,019.07	
Miscellaneous items	201,998.46	69,148.52	132,849.94	
Special funds:				
Naval hospital fund	225,386.70	293,637.95		68,251.25
Ordnance material (proceeds of sales)	47,300.00	146,977.80		99,677.80
Fines and forfeitures	632,892.34	621,972.79	10,919.55	
Clothing fund	320,167.24	477,720.85		157,553.61
Trust funds:				
Pay, Marine Corps, deposit fund	96,214.00	197,891.53		101,677.53
Pay of the Navy, deposit fund	107,337.28	452,362.70		345,025.42
Prize money	145.34	963.54		818.20
Total Naval Establishment	139,682,186.28	133,262,861.97	9,808,339.38	3,389,015.07
INDIAN SERVICE.				
Current and contingent expenses	1,001,605.14	1,102,545.05		100,939.91
Fulfilling treaty stipulations	609,430.14	669,219.50		59,789.36
Miscellaneous supports	667,595.33	614,923.10	52,672.23	
Interest on Indian trust-fund accounts	1,709,562.25	2,357,071.92		647,509.67
Support of Indian schools	4,081,897.17	3,960,186.99	121,710.18	
Miscellaneous expenses	4,153,030.41	2,846,003.27	1,307,027.14	
Trust funds	7,991,955.52	8,756,209.07		764,253.55
Total Indian Service	20,215,075.96	20,306,158.90	1,481,409.55	1,572,492.49
Pensions	173,440,231.12	175,085,450.29		1,645,219.17
Interest on the public debt	22,863,956.70	22,899,108.08		35,151.38
Ordinary disbursements[1]	700,254,489.71	682,770,705.51	37,643,723.18	20,159,938.98
Panama Canal disbursements	34,826,941.76	41,741,258.03		6,914,316.27

[1] Exclusive of Panama Canal, public debt, and Postal Service disbursements.

Comparison of disbursements fiscal years 1913 and 1914—Continued.

	1914	1913	Increase, 1914.	Decrease, 1914.
Public debt:				
National-bank note fund	$26,852,200.00	$24,089,035.50	$2,763,164.50	
Funded loan of 1907	105,500.00	99,950.00	5,550.00	
Miscellaneous redemptions	3,627.00	2,625.00	1,002.00	
Public-debt disbursements	26,961,327.00	24,191,610.50	2,769,716.50	
Total disbursements, exclusive of postal	762,042,758.47	748,703,574.04	40,413,439.68	$27,074,255.25
Postal Service, payable from postal revenues[1]	283,558,102.62	262,108,874.74	21,449,227.88	
Total disbursements, including postal	1,045,600,861.09	1,010,812,448.78	61,862,667.56	27,074,255.25

[1] Exclusive of grants from the Treasury for deficiencies in postal revenues for prior years included in expenses of civil establishment.

ESTIMATES.

The ordinary receipts for the fiscal year 1915 are estimated at $728,000,000, including $220,000,000 from customs. It is impossible to estimate with accuracy, however, the receipts from customs for the fiscal year 1915, as the effects of the European war upon imports can not be foretold with any degree of certainty. The ordinary disbursements are estimated at $710,000,000, showing an estimated surplus of ordinary receipts of $18,000,000 for the fiscal year ending June 30, 1915. Payments which may be made for the Panama Canal during the year from the general fund of the Treasury without sales of bonds, approximating the sum of $28,000,000, would, however, absorb the excess of ordinary receipts and show an excess of disbursements of $10,000,000.

But for the European war, which has largely restricted imports, the revenue under the tariff law of October 3, 1913, in operation for the full year of 1915, together with the other sources of receipts, would have provided sufficient funds to meet the ordinary expenses of the Government. To meet the extraordinary conditions now prevailing, the emergency revenue law of October 22, 1914, was enacted, under which approximately $98,000,000 is expected to be realized, $54,000,000 thereof in the current fiscal year and $44,000,000 in the fiscal year 1916. The anticipated loss in customs receipts during the conflict abroad should therefore be partially compensated by the additional receipts under the new law. Even after the cessation of hostilities, it may be a long time before our imports from the belligerent countries are restored to a normal basis. The process of restoration will be gradual, necessarily, and this fact must be borne in mind when estimating future probabilities.

The ordinary receipts for the fiscal year 1916 are estimated under existing laws at $735,000,000. In this estimate customs receipts are figured at $240,000,000. This is done upon the assumption that the

European war will not be prolonged and upon the expectation that approximately normal importations will soon follow the conclusion of peace. The estimates for ordinary and extraordinary appropriations payable from the general fund of the Treasury, as submitted by the several executive departments and offices, are $713,765,104.80, which would indicate an excess of ordinary receipts over ordinary expenditures of $21,234,895.20.

The appropriations for the Panama Canal, to be paid from the general fund without sales of bonds, are estimated at about $19,000,000, and the surplus of ordinary receipts would therefore more than meet the appropriations as submitted for the year 1916.

Detailed estimates for the fiscal years 1915 and 1916 follow:

Fiscal year 1915.

The ordinary receipts of the Government for the current fiscal year are estimated upon the basis of existing laws as follows:

From customs (see p. 54 on Estimates)		$220,000,000
From internal revenue:		
Ordinary	$305,000,000	
Emergency revenue, act Oct. 22, 1914	54,000,000	
Income tax—		
Corporations	40,000,000	
Individuals	40,000,000	
		439,000,000
From sales of public lands		3,000,000
From miscellaneous sources		66,000,000
Total estimated ordinary receipts		728,000,000

The disbursements for the same period are estimated as follows:

For the civil establishment	$189,000,000	
For the War Department	168,000,000	
For the Navy Department	140,000,000	
For the Indian Service	21,000,000	
For pensions	169,000,000	
For interest on the public debt	23,000,000	
Total estimated ordinary disbursements		710,000,000
Estimated surplus of ordinary receipts		18,000,000
For Panama Canal: Estimated disbursements to be made from the general fund of the Treasury during the year without sales of bonds		28,000,000
An excess of disbursements, including the Panama Canal, of		10,000,000

Public debt: Redemptions of the public debt, including transactions in deposits and redemptions for the national-bank note redemption account under the act of July 14, 1890, which, for the year ended June 30, 1914, aggregated the net sum of $7,059,044 are excluded from the estimates, as payments on these accounts will probably be approximately offset by receipts from postal savings bonds, and additional taxes on circulating notes to be added to the Reserve Fund, sec. 9, act of May 30, 1908.

POSTAL SERVICE.

The Post Office Department estimates that under existing laws the postal revenues for the fiscal year 1915 will probably be $302,330,000, with expenditures for the Postal Service for the same period of approximately $302,250,000.

Fiscal year 1916.

It is estimated that upon the basis of existing laws the ordinary receipts for the fiscal year 1916 will be:

From customs (see p. 54 on Estimates)		$240,000,000
From internal revenue:		
Ordinary	$305,000,000	
Emergency revenue, act Oct. 22, 1914	44,000,000	
Income tax—		
Corporations	42,500,000	
Individuals	42,500,000	
		434,000,000
From sale of public lands		3,000,000
From miscellaneous sources		58,000,000
Total estimated ordinary receipts		735,000,000

The estimates of appropriations for the fiscal year 1916, as submitted by the executive departments and offices, are as follows:

Legislative establishment		$7,641,049.27
Executive establishment:		
Executive proper	$636,050.00	
Department of State	393,580.00	
Treasury Department	12,440,262.00	
War Department	1,930,688.00	
State, War, and Navy Department Building, expenses	169,840.00	
Navy Department	865,790.00	
Department of Interior	5,264,199.00	
Post Office Department	1,820,695.00	
Department of Agriculture	20,706,013.00	
Department of Commerce	6,764,335.00	
Department of Labor	824,260.00	
Department of Justice	603,590.00	
Territorial governments	127,600.00	
		52,551,902.00
Judicial establishment		1,240,580.00
Foreign intercourse		4,607,182.66
Military Establishment		105,866,849.86
Naval Establishment, including increase of the Navy for new and prior Navy building programs, $22,018,500 and $19,073,234, respectively		142,619,003.88
Indian Affairs		9,533,463.20
Pensions		166,100,000.00
Public works:		
Legislative	$608,063.09	
Treasury Department, public buildings and works	2,606,085.00	
War Department, exclusive of rivers and harbors	8,885,853.75	

Public works—Continued.		
Rivers and harbors	$53,387,223.20	
Panama Canal	18,931,865.58	
Navy Department	2,777,816.00	
Department of Interior, including $9,000,000 for Reclamation Fund	9,267,000.00	
Department of Commerce	1,743,500.00	
Department of Labor	382,000.00	
Department of Justice	260,000.00	
		$98,849,406.62
Postal Service payable from postal revenues		297,355,164.00
Miscellaneous:		
Legislative	5,430,650.16	
Executive	32,500.00	
Treasury Department	29,163,393.00	
War Department	5,892,159.00	
Department of Interior	5,675,181.00	
Department of Commerce	8,263,260.00	
Department of Labor	3,236,950.00	
Department of Justice	8,601,248.50	
District of Columbia	12,909,434.23	
Smithsonian Institution and National Museum	753,550.00	
Interstate Commerce Commission	1,765,000.00	
Board of Mediation and Conciliation	50,000.00	
Commission on Industrial Relations	40,000.00	
Federal Trade Commission	530,000.00	
Arlington Memorial Amphitheater Commission	500,000.00	
		82,843,325.89
Permanent annual appropriations:		
Interest on the public debt	22,970,000.00	
Refunds—		
Customs and internal revenue	$8,631,000.00	
Other refunds	10,369,200.00	
	19,000,200.00	
Sinking fund	60,723,000.00	
Miscellaneous	18,874,007.00	
		121,567,207.00
Total estimated appropriations for 1916		1,090,775,134.38
Deduct:		
Postal Service payable from postal revenues, $297,355,164; sinking fund, $60,723,000; Panama Canal, $18,931,865.58; an aggregate of		377,010,029.58
Total estimates for ordinary appropriations for 1916		713,765,104.80
Add estimates for Panama Canal appropriations for 1916		18,931,865.58
Total estimated appropriations for 1916 to become a charge on the general fund without bond sales for the Panama Canal		732,696,970.38
Estimated ordinary receipts for 1916		735,000,000.00
Estimated ordinary expenditures for the year		713,765,104.80
Estimated excess of ordinary receipts (which excess of receipts should meet payments for Panama Canal appropriations during the year 1916)		21,234,895.20

NOTE.—It is not safe to rely too much on these estimates for 1916 in view of the uncertainties occasioned by the European war.

POSTAL SERVICE.

The Post Office Department estimates that the postal revenues for the fiscal year 1916 will probably amount to $320,470,000, with expenditures for the Postal Service for the same period, under existing laws, of $320,385,000; but if the legislation recommended by that department in its estimates for 1916 is enacted into law it is believed that the expenditures for the year would be only $297,355,164.

ESTIMATES FOR 1916 AND APPROPRIATIONS FOR 1915.

Comparison of the estimates for 1916, with the appropriations for 1915, shows an increase in the 1916 estimates of $12,593,535.08, including the Panama Canal, as exhibited in the tables following:

Statement of estimates of appropriations for 1916, increased over appropriations for 1915.

[Excluding sinking fund and Postal Service payable from the postal revenues.]

Departments, etc.	1916 estimates, including permanent annual.	1915 appropriations, including permanent annual.	Increase in 1916 estimates over 1915 appropriations.	Decrease in 1916 estimates under 1915 appropriations.
Legislative	$13,680,562.52	$13,495,774.02	$184,788.50	
Executive	668,550.00	3,848,786.67		$3,180,236.67
Department of State	5,171,762.66	5,846,110.16		674,347.50
Treasury Department:				
Treasury Department, exclusive of public buildings	50,534,655.00	54,600,494.42		4,065,839.42
Public buildings	2,296,085.00	10,457,728.44		8,161,643.44
New revenue cutters	310,000.00	165,000.00	145,000.00	
War Department:				
War Department, exclusive of rivers and harbors	129,413,550.61	125,862,332.07	3,551,218.54	
Rivers and harbors	57,261,823.20	29,663,600.00	27,598,223.20	
Navy Department:				
Navy Department, exclusive of building program	104,733,285.88	106,202,484.97		1,469,199.09
Navy building program, new	19,224,998.00	22,018,500.00		2,793,502.00
Navy building program, prior years	23,805,803.00	19,073,234.00	4,732,569.00	
Department of the Interior:				
Department of the Interior, exclusive of pensions and Indians	23,448,880.00	24,805,815.01		1,356,935.01
Pensions	166,100,000.00	169,150,000.00		3,050,000.00
Indians	16,733,463.20	17,209,086.15		475,622.95
Post Office Department, exclusive of Postal Service	1,820,695.00	1,885,169.65		64,474.65
Department of Agriculture	25,800,413.00	27,103,334.15		1,302,921.15
Department of Commerce	16,774,095.00	11,290,702.09	5,483,392.91	
Department of Labor	4,443,210.00	3,785,712.84	657,497.16	
Department of Justice	10,857,918.50	10,484,060.18	373,858.32	
Territorial governments	180,600.00	254,088.20		73,488.20
Independent offices	3,866,020.00	5,087,740.00		1,221,720.00
District of Columbia	13,668,734.23	13,064,157.28	604,576.95	
	690,795,104.80	675,353,910.30	43,331,124.58	27,889,930.08
Interest on the public debt	22,970,000.00	22,900,000.00	70,000.00	
Ordinary	713,765,104.80	698,253,910.30	43,401,124.58	27,889,930.08
Net increase in ordinary			15,511,194.50	
Panama Canal	18,931,865.58	21,849,525.00		2,917,659.42
Total	732,696,970.38	720,103,435.30	15,511,194.50	2,917,659.42
Total net increase			12,593,535.08	

Exhibit of appropriations for 1915.

Appropriations made for the fiscal year 1915 and for prior years during the first and second sessions of the Sixty-third Congress, including revised estimated permanent and indefinite appropriations, and appropriations for the postal service payable from postal revenues		$1,121,610,321.67
Deduct—		
Postal Service for 1915 payable from the postal revenues	$313,364,667.00	
Postal deficiencies of prior years payable from postal revenues	3,413,219.96	
Deficiencies for prior years	24,028,999.41	
Sinking fund	60,700,000.00	
		401,506,886.37
Total appropriations for 1915, exclusive of sinking fund and Postal Service payable from postal reveunes		720,103,435.30

agreeing with the appropriations for 1915 shown in the preceding table, against which the estimates of appropriations submitted for 1916 show an increase of $15,511,194.50 in the ordinary, and $12,593,535.08 including the Panama Canal.

Attention is respectfully called to further divisions of this report, to wit, the condensed annual reports of the various bureaus and divisions of the Treasury Department and the tables accompanying the report on the finances.

W. G. McAdoo,
Secretary.

To the Speaker of the House of Representatives.

REPORT OF THE TREASURER OF THE UNITED STATES.

Treasury Department,
Office of the Treasurer,
Washington, October 15, 1914.

Sir: The transactions of the Treasury of the United States for the fiscal year ended June 30, 1914, and its condition at the close of the year are presented in the following report.

Comparison of the ordinary receipts and disbursements, classified for the past two years, may be studied in the table following:

Ordinary receipts and disbursements for the fiscal years 1913 and 1914.

Account.	1913	1914	Increase.	Decrease.
RECEIPTS.				
Customs	$318,891,395.86	$292,320,014.51		$26,571,381.35
Internal revenue:				
Ordinary	309,410,665.81	308,659,732.56		750,933.25
Corporation and income tax	35,006,299.84	71,381,274.74	$36,374,974.90	
Lands	2,910,204.69	2,571,774.77		338,429.92
Miscellaneous	48,896,702.41	50,855,941.14	1,959,238.73	
Receipts of the District of Columbia	8,827,580.69	8,752,937.11		74,643.58
Total	723,942,849.30	734,541,674.83	38,334,213.63	27,735,388.10
Deduct moneys covered by warrant in year subsequent to the deposit thereof	337,590.05	505,970.59	168,380.54	
Total	723,605,259.25	734,035,704.24	38,502,594.17	27,735,388.10

Ordinary receipts and disbursements for the fiscal years 1913 and 1914—Continued.

Account.	1913	1914	Increase.	Decrease.
RECEIPTS—continued.				
Add moneys received in fiscal year but not covered by warrant	$505,970.59	$637,462.47	$131,491.88	
Net available	724,111,229.84	734,673,166.71	10,561,936.87	
DISBURSEMENTS.				
Legislative	13,291,813.52	13,468,827.66	177,014.14	
Executive	502,911.73	364,134.36		$27,880.37
State Department	4,978,380.09	5,253,911.78	275,531.69	
Treasury Department	62,113,949.60	60,139,856.78		1,974,092.82
War Department, civil	2,220,460.24	2,237,069.37	16,609.13	
Navy Department, civil	829,554.96	860,873.02	31,318.06	
Interior, civil	22,383,756.70	22,656,130.62	272,373.92	
Post Office Department proper	2,169,340.97	2,236,202.24	66,861.27	
Postal deficiencies	1,027,368.79			1,027,368.79
Department of Agriculture	20,469,027.70	22,208,141.12	1,739,113.42	
Departments of Commerce and Labor	14,610,837.19	14,727,786.45	116,949.26	
Department of Justice	10,423,632.19	10,188,151.26		235,480.93
Independent offices	2,878,325.95	3,232,179.61	353,853.66	
District of Columbia	12,841,210.79	12,756,971.18		84,239.61
Total civil and miscellaneous	170,829,673.42	170,530,235.45	3,049,624.55	3,349,062.52
Military Establishment, including rivers and harbors	160,387,452.85	173,522,804.20	13,135,351.35	
Naval Establishment	133,262,861.97	139,682,186.28	6,419,324.31	
Indian Service	20,306,158.90	20,215,075.96		91,082.94
Pensions	175,085,450.29	173,440,231.12		1,645,219.17
Interest on public debt	22,899,108.08	22,863,956.70		35,151.38
Total ordinary disbursements	682,770,705.51	700,254,489.71	22,604,300.21	5,120,516.01
Net			17,483,784.20	
Surplus	41,340,524.33	34,418,677.00		

There was a falling off of more than $26,000,000 in the receipts from customs, but notwithstanding this decrease the total ordinary receipts attained a new maximum at $734,673,166.71, a net increase of $10,561,936.87 over that of the preceding year.

In expenditures a slight decrease is recorded in the civil and miscellaneous, Indian Service, and interest on the public debt. The decrease in pensions is more noticeable, while the Naval Establishment spent $6,419,324.31 more than in the preceding year, and the Military Establishment $13,135,351.35 in excess of its record for 1913.

The total ordinary receipts and disbursements for the past 10 years may be studied in the subjoined statement:

Fiscal year.	Receipts.	Disbursements.	Surplus.	Deficit.
1905	$544,606,758.62	$563,360,093.62		$18,753,335.00
1906	594,717,942.32	549,405,425.35	$45,312,516.97	
1907	663,125,659.92	551,705,129.04	111,420,530.88	
1908	601,060,723.27	621,102,390.64		20,041,667.37
1909	603,589,489.81	662,324,444.77		58,734,954.93
1910	675,511,715.02	659,705,391.08	15,806,323.94	
1911	701,372,374.99	654,137,997.89	47,234,377.10	
1912	691,778,465.37	654,553,963.47	37,224,501.90	
1913	724,111,229.84	682,770,705.51	41,340,524.33	
1914	734,673,166.71	700,254,489.71	34,418,677.00	

THE PANAMA CANAL.

Under the conditions that have prevailed during the past fiscal year an adequate balance has been maintained in the Treasury for the ordinary operations as well as the special activities now under way. Therefore the Secretary of the Treasury did not deem it advisable to offer for sale additional bonds of the Panama Canal loan.

The expenses incurred in the construction of the canal during the year, amounting to $34,826,941.76, were paid out of the general fund of the Treasury, and the total net balance so expended to June 30, 1914, is $214,452,055.08.

The proceeds of sales of bonds and the disbursements on account of the canal to the close of the fiscal year 1914 are set forth by years in the table following:

Receipts and disbursements on account of the Panama Canal.

Fiscal years.	Proceeds of United States bonds sold.	Disbursements for Panama Canal.	Excess of—	
			Receipts.	Disbursements.
1904		$50,174,485.00		$50,174,485.00
1905		3,918,819.83		3,918,819.83
1906		19,379,373.71		19,379,373.71
1907	$31,210,817.95	27,196,618.71	$4,014,199.24	
1908	25,367,768.67	38,093,425.29		12,725,656.62
1909	30,731,008.21	31,419,442.41		688,434.20
1910		33,911,673.37		33,911,673.37
1911	18,102,170.04	37,063,515.33		18,961,345.29
1912	33,189,104.15	35,327,370.66		2,138,266.51
1913		41,741,258.03		41,741,258.03
1914		34,826,941.76		34,826,941.76
Total	138,600,869.02	353,052,924.10	4,014,199.24	218,466,254.32
Net				214,452,055.08

RECEIPTS AND DISBURSEMENTS ON ACCOUNT OF THE POST OFFICE DEPARTMENT.

The Post Office Department has inaugurated a series of reforms resulting in improved efficiency, better facilities, and more economical administration. The postal revenues during the fiscal year 1914 were $301,968,424.80 and the disbursements, $299,815,756.90; of the revenues, $3,800,000 was deposited in the Treasury as a surplus for the fiscal year 1913.

The revenues and disbursements of the Post Office Department are under the exclusive control of the Postmaster General. Of the revenues stated in the foregoing $203,576,450.84 were received and disbursed directly by postmasters without being deposited in the Treasury. Such disbursements are authorized by existing law, and are accounted for under the provisions of section 406 of the Revised Statutes of the United States. The Post Office Department warrants issued by the Postmaster General were drawn on the Treasurer of the United States, but they are payable by any assistant treasurer or regular national-bank depositary of the United States.

Attention is invited to a statement of the transactions relating to the account for the service of the Post Office Department with the Treasury during the fiscal year 1914 which will be found on page 328 of this report.

TRANSACTIONS IN THE PUBLIC DEBT.

During the fiscal year 1914, deposits for postal savings bonds, authorized by the act of June 25, 1910, were received to the amount of $3,118,940. Under the provisions of the act of July 14, 1890, deposits of lawful money of the United States to retire national-bank notes were received amounting to $19,902,282.50, which, with the deposits for the postal savings bonds, makes a total of $23,021,222.50

in actual cash received on account of the public debt, while the cash disbursements on account of the principal of matured loans and fractional currency were $109,127, and for national-bank notes canceled and retired $26,852,200, a total disbursement for the public debt of $26,961,327. The net result was an excess of disbursements of $3,940,104.50.

The transactions relating to the replacing or retiring of the worn and mutilated paper currency issued under the direct authority of the Government are included in the account of the public debt.

Comparative details for the past two years may be studied in the table following:

Receipts and disbursements on account of the public debt for 1913 and 1914.

Account.	1913	1914	Increase.	Decrease.
RECEIPTS.				
Postal savings bonds	$1,929,840.00	$3,118,940.00	$1,189,100.00	
Lawful money deposited to retire national-bank notes	21,471,010.00	19,902,282.50		$1,568,727.50
Total	23,400,850.00	23,021,222.50	1,189,100.00	1,568,727.50
Notes and certificates issued:				
United States notes	163,000,000.00	168,220,000.00	5,220,000.00	
Gold certificates	468,510,000.00	505,520,000.00	37,010,000.00	
Silver certificates	403,952,000.00	401,568,000.00		2,384,000.00
Total	1,035,462,000.00	1,075,308,000.00	42,230,000.00	2,384,000.00
Aggregate	1,058,862,850.00	1,098,329,222.50	43,419,100.00	3,952,727.50
Net			39,466,372.50	
DISBURSEMENTS.				
United States bonds retired	101,030.00	106,990.00	5,960.00	
Fractional currency retired	1,545.00	2,137.00	592.00	
National-bank notes retired	24,089,035.50	26,852,200.00	2,763,164.50	
Total	24,191,610.50	26,961,327.00	2,769,716.50	
Notes and certificates redeemed:				
United States notes	163,000,000.00	168,220,000.00	5,220,000.00	
Treasury notes	269,000.00	221,000.00		48,000.00
Gold certificates	421,840,200.00	511,272,300.00	89,432,100.00	
Silver certificates	401,951,000.00	394,268,000.00		7,683,000.00
Total	987,060,200.00	1,073,981,300.00	94,652,100.00	7,731,000.00
Aggregate	1,011,251,810.50	1,100,942,627.00	97,421,816.50	7,731,000.00
Net			89,690,816.50	
Excess of receipts	47,611,039.50			
Excess of disbursements		2,613,404.50		

In a study of the foregoing table it will be observed that the United States notes issued and credited in the general account as a receipt are offset by an equal amount of worn or unfit notes in kind withdrawn therefrom, canceled, and retired, which is in accordance with the provisions of the act of May 31, 1878. In explanation of the manner of issuing and redeeming gold certificates, silver certificates, and Treasury notes of 1890, it may be said that for certificates issued and credited in the general account an equal amount of the respective kinds of money held in the general account is transferred therefrom to, and retained in the trust funds for their redemption; for gold certificates, silver certificates, and Treasury notes withdrawn from the general fund, canceled, and retired, a like amount of the respective coins is leased from the trust funds and brought into the general fund in their stead.

PUBLIC DEBT, 1913 AND 1914.

The outstanding principal of the interest-bearing debt at the close of the fiscal year 1914 was $967,953,310, not including $872,240 deposits received for which postal savings bonds will be issued July 1. There was an increase of $2,246,700 caused by the issue of postal-savings bonds.

The debt bearing no interest amounted to $370,282,090.16, a decrease of $7,059,043.50.

The certificates and notes issued on deposits of coin and bullion (trust funds, act of Mar. 14, 1900) increased $1,326,700, and amounted to $1,574,263,869 at the close of the fiscal year June 30, 1914.

Comparison of the public debt is made, by items, for the fiscal years 1913 and 1914 in the statement following:

Public debt 1913 and 1914.

	Rate.	When payable.	Outstanding June 30, 1913.	Outstanding June 30, 1914.
Interest-bearing debt:	P. ct.			
Consols of 1930	2	After Apr. 1, 1930	$646,250,150.00	$646,250,150.00
Loan of 1908–1918	3	After Aug. 1, 1908	63,945,460.00	63,945,460.00
Loan of 1925	4	Feb. 1, 1925	118,489,900.00	118,489,900.00
Panama Canal loan	2	June 1, 1916	84,631,980.00	84,631,980.00
Do	3	June 1, 1961	50,000,000.00	50,000,000.00
Postal savings bonds	2½	July 1, 1931	2,389,120.00	4,635,820.00
Total			965,706,610.00	967,953,310.00
Debt bearing no interest:				
Matured loans		On demand	1,659,550.26	1,552,560.26
Old demand notes		do	53,152.50	53,152.50
United States notes		do	346,681,016.00	346,681,016.00
National-bank notes		do	22,092,806.00	15,142,888.50
Fractional currency		do	6,854,609.90	6,852,472.90
Total			377,341,134.66	370,282,090.16
Certificates and notes issued on deposits of coin and bullion (trust funds, act Mar. 14, 1900):				
Gold certificates		On demand	1,086,727,169.00	1,080,974,869.00
Silver certificates		do	483,550,000.00	490,850,000.00
Treasury notes of 1890		do	2,660,000.00	2,439,000.00
Total			1,572,937,169.00	1,574,263,869.00
Aggregate			2,915,984,913.66	2,912,499,269.16

PAYMENT OF INTEREST ON THE REGISTERED BONDS OF THE UNITED STATES.

The interest on the registered bonds of the United States is paid by checks prepared and mailed from the office of the Secretary of the Treasury. Such checks bear a certificate as to the principal of bonds registered in the name of the payee, over the facsimile signature of the Chief of the Division of Loans and Currency; they also bear the facsimile signature of the Secretary of the Treasury, and are countersigned by a clerk in his office. These checks are drawn on the Treasurer of the United States, but are payable by any assistant treasurer or regular national-bank depositary of the United States, and the amount so disbursed is included in the requisition for reimbursement made by the Treasurer at the end of the month. The paid checks are sent to the Register of the Treasury for an administrative examination, who in turn forwards them to the Auditor for the Treasury Department.

RESERVE AND TRUST FUNDS.

The holders of United States notes have not used them in withdrawing gold coin from the Treasury in unusual amounts during the past fiscal year. Large amounts of these notes are shipped to the Treasury annually for redemption with a request that the proceeds be returned in denominations of $10 and above, and as such an exchange results in the use of gold certificates, it is recorded as a redemption in gold, therefore the transactions in the reserve fund represent more truly exchanges to secure an accommodation in denominations of currency. The redemptions from the reserve fund during the fiscal year were, in United States notes, $73,194,576, and in Treasury notes $4,500, making a total of $73,199,076. Under the provisions of the act of March 14, 1900, the redeemed notes were exchanged for gold coin each day, and thereby the reserve was maintained at the fixed amount of $150,000,000.

At the close of the fiscal year 1914 the trust funds amounted to $1,574,263,869, of which $838,855,683 was in gold coin, $242,119,186 in gold bullion, and $493,289,000 in standard silver dollars.

The gold held against the outstanding gold certificates attained a maximum at $1,163,728,869 on May 8, but owing to heavy withdrawals of gold for export during the latter part of the year it was reduced by $82,754,000. The silver dollars held against outstanding Treasury notes of 1890 and silver certificates increased $7,079,000.

The transactions in trust-fund obligations during the fiscal year 1914 may be studied in the statement following:

	Outstanding June 30, 1913.	Fiscal year 1914.		Outstanding June 30, 1914.
		Issued.	Redeemed.	
Gold certificates	$1,086,727,169	$505,520,000	$511,272,300	$1,080,974,869
Silver certificates	483,550,000	401,568,000	394,268,000	490,850,000
Treasury notes	2,660,000		221,000	2,439,000
Total	1,572,937,169	907,088,000	905,761,300	1,574,263,869

STATEMENT OF THE TREASURY OF THE UNITED STATES.

The holdings of moneys in the Treasury at the close of the fiscal year 1914 amounted to $2,004,837,556.02 and from the revised figures of the several funds, was set apart as follows:

RESERVE FUND.

Gold coin and bullion	$150,000,000

TRUST FUNDS.

[Held for the redemption of the notes and certificates for which they are respectively pledged.]

Gold:		Gold certificates outstanding	$1,080,974,869
Coin... $837,379,263		Silver certificates outstanding	490,850,000
Bullion 243,595,606		Treasury notes outstanding	2,439,000
	$1,080,974,869		
Silver dollars	490,850,000		
Silver dollars of 1890	2,439,000		
Total	1,574,263,869	Total	1,574,263,869

GENERAL FUND—CASH IN THE VAULTS.

After setting out from the assets of the Treasury the appropriate kinds of money to meet the requirements of the reserve and trust funds, the balances of each kind of money held belong to the general fund of the Treasury, from which, however, must be deducted the current liabilities.

The items composing the general fund are subdivided; the first part shows the amount of each kind of available cash actually held in the vaults of the Treasury offices, and the demands against the same; the second part shows the amounts of public moneys in national banks and other depositaries to the credit of the Treasurer of the United States and of disbursing officers, and the demands against the same, and finally the net balance in the general fund.

The assets in the general fund in the Treasury on June 30, 1914, and the demand liabilities outstanding on that date were as follows:

In Treasury offices:		
Gold coin	$48,137,240.70	
Gold certificates	54,825,730.00	
Standard silver dollars	4,682,993.00	
Silver certificates	12,248,023.00	
United States notes	8,835,369.00	
Treasury notes of 1890	11,237.00	
National-bank notes	9,231,218.00	
Certified checks on banks	379,907.03	
Subsidiary silver coin	22,040,989.10	
Fractional currency	243.22	
Minor coin	2,117,480.49	
Silver bullion (at cost)	2,854,183.72	
Interest on public debt paid	9,749.30	
		$165,374,363.56
Deduct current liabilities:		
National-bank 5 per cent fund	$28,793,173.29	
Less notes in process of redemption	26,260,644.46	
	2,532,528.83	
Outstanding warrants and checks	8,056,673.44	
Balance to credit of disbursing officers	64,277,853.19	
Post Office Department balance	8,379,505.94	
Miscellaneous items	7,861,531.16	
Board of trustees, Postal Saving System	1,677,472.20	
	92,785,564.76	
Less warrants and checks not cleared	11,981,205.94	
		80,804,358.82
Working balance in Treasury offices		$84,570,004.74
In national-bank depositaries:		
To credit of the Treasurer of the United States	60,915,638.13	
To credit of disbursing officers	8,372,731.49	
In transit to Treasury offices	15,755,400.00	
		85,043,769.62

In treasury of Philippine Islands:			
To credit of the Treasurer of the United States	$515,851.43		
To credit of United States disbursing officers	3,379,057.95		
		$3,894,909.38	
		88,938,679.00	
Deduct current liabilities:			
Outstanding warrants	144,278.77		
Balances to credit of disbursing officers	11,751,789.44		
		11,896,068.21	
Balance in banks and in treasury of Philippine Islands			$77,042,610.79
Total balance in general fund June 30, 1914			161,612,615.53
Total balance in general fund June 30, 1913			165,960,984.79
Net decrease			4,348,369.26

AVAILABLE CASH BALANCE.

The available cash balance in the general fund at the close of the fiscal year 1914 was $161,612,615.53, a decrease of $4,348,369.26 as compared with that of the preceding fiscal year. This decrease is verified by the net results in all accounts of receipts and disbursements shown on previous pages of this report, which are brought together here:

Available cash balance June 30, 1913			$165,960,984.79
Add excess of ordinary receipts over disbursements for 1914 (see p. 293)		$34,418,677.00	
Deduct:			
Excess of Panama Canal disbursements over receipts (see p. 294)	$34,826,941.76		
Excess of public debt disbursements over receipts (see p. 295)	3,940,104.50		
		38,767,046.26	
			4,348,369.26
Available cash balance June 30, 1914			161,612,615.53

In previous years it has been deemed advisable to retain in the vaults of the Treasury a safe working balance, and while no specified amount has been fixed or agreed upon yet the sum of $50,000,000 has been suggested as a proper sum to keep in the Government vaults. In this connection attention is invited to the marked irregularity in the receipts and disbursements as shown by the monthly reports, as for instance, in July, 1913, there was a deficiency of $9,977,223, and in June, 1914, a surplus of $72,619,924 was realized. In the face of such wide fluctuations the necessity for ample available reserves is apparent and the amount named is not excessive. The working balance in the vaults of the Treasury at the close of the fiscal year 1914 was $84,570,004.74.

The balance in the Treasury at the end of each month from January, 1908, is stated in Table No. 19, page 351 of the appendix, and for July 1 in each year since 1906 in the subjoined statement:

Available cash balance (including the reserve fund) on the dates named.

Dates.	Available cash balance.		
	Reserve fund.	General fund.	Total.
July 1, 1906	$150,000,000	$180,689,354.82	$330,689,354.82
July 1, 1907	150,000,000	272,061,445.47	422,061,445.47
July 1, 1908	150,000,000	245,171,347.73	395,171,347.73
July 1, 1909	150,000,000	126,375,428.10	276,375,428.10
July 1, 1910	150,000,000	106,894,675.67	256,894,675.67
July 1, 1911	150,000,000	140,176,926.13	290,176,926.13
July 1, 1912	150,000,000	167,152,478.99	317,152,478.99
July 1, 1913	150,000,000	165,960,984.79	315,960,984.79
July 1, 1914	150,000,000	161,612,615.53	311,612,615.53

GOLD IN THE TREASURY.

At the close of the fiscal year 1914 the gold holdings in the Treasury amounted to $1,279,112,109.70, of which $985,516,503.50 was in coin.

The act of March 2, 1911, authorizes the issue of gold certificates against gold bullion and foreign coin deposited in the Treasury. These certificates differ in no particular from those issued against United States gold coin and are payable in such coin. The intent and effect of the act are not to limit the free coinage of gold. The mints continue to receive all the gold that is offered, and it enters into circulation either in coin or in gold certificates. The effect is simply to allow the Treasury to carry a portion of the reserves in bullion, thus saving cost of coinage.

The total amount of gold in the Treasury on July 1 in each year from 1906, set apart for the respective uses, is set forth in the statement following:

Gold in the Treasury.

Dates.	Reserve.	For certificates in circulation.	General fund (belonging to Treasury).	Total.
July 1, 1906	$150,000,000	$516,561,849	$140,489,841.30	$807,051,690.30
July 1, 1907	150,000,000	600,072,299	154,619,431.14	904,691,730.14
July 1, 1908	150,000,000	782,976,619	71,912,063.18	1,004,888,632.18
July 1, 1909	150,000,000	815,005,449	77,698,852.02	1,042,704,301.02
July 1, 1910	150,000,000	802,754,199	92,411,286.24	1,045,165,485.24
July 1, 1911	150,000,000	930,367,929	83,533,254.56	1,163,901,183.56
July 1, 1912	150,000,000	943,435,618	114,028,646.22	1,207,464,264.22
July 1, 1913	150,000,000	1,003,997,709	108,363,326.87	1,262,361,035.87
July 1, 1914	150,000,000	1,026,149,139	102,962,970.70	1,279,112,109.70

It will be observed from the foregoing statement that apparently the new product of our mines annually travels the well-worn road to the Treasury and that gold continues to accumulate therein. The gold imported during the fiscal year amounted to $66,538,659, while the exports of the precious metal aggregated $112,038,529, but in spite of this drain there was a net increase of $16,751,073.83 in the Treasury holdings of gold as compared with that of the preceding year.

BONDS HELD AS SECURITY FOR NATIONAL BANKS.

At the close of the fiscal year 1914 the Treasurer held in trust United States bonds to the amount of $740,796,910 as security for the circulating notes of national banks. The securities pledged for the safe-keeping of public deposits in the depositary banks amounted to $63,711,350.

The kinds of bonds in the custody of the Treasurer of the United States and the changes therein during the fiscal year 1914 are recorded in the table following.

Bonds held for national banks, close of June, 1913 and 1914, and changes during 1914.

Kinds of bonds.	Rate.	Held June 30, 1913.	Transactions during 1914.		Held June 30, 1914.
			Deposited.	Withdrawn.	
TO SECURE CIRCULATION.	P. ct.				
United States loan of 1925	4	$32,724,500.00	$4,103,250.00	$3,974,450.00	$32,853,300.00
United States loan of 1908–1918	3	21,765,400.00	2,465,340.00	2,735,200.00	21,495,540.00
United States consols of 1930	2	664,379,750.00	20,447,200.00	30,760,100.00	654,066,850.00
United States Panama, 1936	2	52,719,500.00	2,980,500.00	1,920,340.00	53,779,660.00
United States Panama, 1938	2	28,940,640.00	534,000.00	578,500.00	28,896,140.00
Total		740,529,250.00	35,636,350.00	35,368,690.00	740,796,910.00
TO SECURE PUBLIC DEPOSITS.					
Held by the Treasurer of the United States:					
United States loan of 1925	4	3,780,100.00	1,313,200.00	1,184,600.00	3,908,700.00
United States loan of 1908–1918	3	3,710,400.00	1,712,300.00	847,300.00	4,575,400.00
United States Panama, 1961	3	17,425,000.00	2,685,360.00	5,455,300.00	14,655,060.00
United States consols of 1930	2	11,862,200.00	4,856,150.00	3,980,500.00	12,737,850.00
United States Panama, 1936	2	1,511,000.00	139,500.00	370,220.00	1,280,280.00
United States Panama, 1938	2	527,000.00	195,000.00	176,000.00	546,000.00
Philippine loans	4	5,782,000.00	768,000.00	726,000.00	5,824,000.00
Porto Rico loans	4	1,716,000.00	667,000.00	348,000.00	2,035,000.00
District of Columbia	3.65	948,000.00	95,000.00	85,000.00	958,000.00
Territory of Hawaii	(1)	1,770,000.00	443,000.00	120,000.00	2,093,000.00
Philippine Railway	4	867,000.00	107,000.00	56,000.00	918,000.00
Manila Railway	4	10,000.00			10,000.00
State, city, and railroad	(1)	11,737,600.00	17,440,714.20	15,006,814.20	14,171,500.00
Total		61,646,300.00	30,420,764.20	28,355,714.20	63,711,350.00

[1] Various.

BONDS HELD AS SECURITY FOR POSTAL SAVINGS FUNDS.

The Treasurer of the United States held in trust at the close of the fiscal year 1914, under the provisions of the act of June 25, 1910, bonds and securities amounting to $71,964,831.41, as security for postal savings funds deposited in 6,717 designated depositaries.

The kinds of securities held and the changes therein during the year are recorded in the annexed statement:

Bonds held as security for postal savings funds, close of June, 1913 and 1914, and changes during 1914.

Kinds of bonds.	Rate.	Held June 30, 1913.	Transactions during 1914.		Held June 30, 1914.
			Deposited.	Withdrawn.	
	P. ct.				
United States loan of 1925	4	$560,900.00	$631,500.00	$85,500.00	$1,106,900.00
United States loan of 1908–1918	3	618,980.00	136,500.00	148,000.00	607,480.00
United States Panama, 1961	3	3,631,500.00	268,500.00	675,000.00	3,225,000.00
United States consols of 1930	2	859,300.00	315,000.00	281,000.00	893,300.00
United States Panama, 1936	2	108,000.00	24,000.00	10,500.00	121,500.00
United States Panama, 1938	2	35,000.00	21,000.00	12,500.00	43,500.00
Philippine loans	4	1,564,000.00	185,000.00	75,000.00	1,674,000.00
Porto Rico loans	4	1,483,000.00	234,000.00	169,000.00	1,548,000.00
District of Columbia	3.65	172,000.00	15,000.00	47,000.00	140,000.00
Territory of Hawaii	(1)	1,148,000.00	215,000.00	106,000.00	1,257,000.00
State loans	(1)	8,435,400.00	3,274,500.00	1,826,400.00	9,883,500.00
Municipal loans	(1)	31,290,318.10	8,235,923.14	3,958,003.15	35,568,238.09
County loans	(1)	6,605,580.00	1,670,000.00	853,000.00	7,422,580.00
Miscellaneous loans	(1)	7,339,083.32	1,921,800.00	787,050.00	8,473,833.32
Total		63,851,061.42	17,147,723.14	9,033,953.15	71,964,831.41

[1] Various.

The following-described securities, at the respective values herein fixed, will be accepted by the board of trustees as security for postal-savings deposits, viz:

(*a*) Bonds of the United States, of the Philippine Islands, of the District of Columbia, and of Porto Rico, will be accepted at their par value.

(*b*) Bonds of any State of the United States and of the Territory of Hawaii will be accepted at their market value, but if such market value is above par, they will be accepted at their par value.

(*c*) Bonds of any city in the United States having a population of over 30,000, as shown by the latest annual report of the Bureau of Census, entitled "Official Statistics of Cities having a Population of over Thirty Thousand," which has been in existence for a period of 10 years, which for a period of 10 years previously has not defaulted in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it, and whose *net funded indebtedness* does not exceed 10 per cent of the valuation of its taxable property, to be ascertained by the last preceding valuation for the assessment of taxes, will be accepted at 90 per cent of their market value, but if such market value is above par, they will be accepted at 90 per cent of their par value.

(*d*) Bonds of any other city, town, county, or other legally constituted municipality or district in the United States, which has been in existence for a period of 10 years, which for a period of 10 years previously has not defaulted in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it, and whose *net funded indebtedness* does not exceed 10 per cent of the valuation of its taxable property, to be ascertained by the last preceding valuation for the assessment of taxes will be accepted at 75 per cent of their market value, but if such market value is above par, they will be accepted at 75 per cent of their par value.

The term "*net funded indebtedness*," for the purposes of paragraphs (*c*) and (*d*), is hereby defined to be the difference between the legal gross indebtedness of a city, town, county, or other municipality (including the amount of any school district or other bonds which depend for their redemption upon taxes levied upon property within the municipality) and the aggregate of the following items:

(1) The total of all sinking funds accumulated for the redemption of such gross indebtedness, except sinking funds applicable to bonds hereafter described in this section.

(2) The amount of outstanding bonds or other debt obligations made payable from current revenues.

(3) The amount of outstanding bonds issued for the purpose of providing the inhabitants of a municipality with public utilities, including the supplying of water or the construction of subways and tunnels for railways: *Provided*, That evidence is submitted showing that the income from such utilities is sufficient for maintenance, for payment of interest on such bonds, and for the accumulation of a sinking fund for their redemption.

(4) The amount of outstanding improvement bonds, issued under laws which provide for the levying of special assessments against abutting property in sufficient amounts to insure the payment of interest on the bonds and the redemption thereof: *Provided*, That such bonds are direct obligations of the municipality and included in the gross indebtedness of the municipality.

The board of trustees reserves the right to reclassify the securities acceptable for deposits and to change the valuation at which they will be accepted. Under no circumstances will securities of other classes than those above named be accepted.

POSTAL SAVINGS BONDS AND INVESTMENTS THEREIN.

Under a general authority in the postal savings law, the trustees of the Postal Savings System, have arranged to take over at par any of the postal savings bonds that depositors may wish to turn back.

The first investment in these bonds was made on December 9, 1911, when they were quoted in the open market at 92½ cents on the dollar. Under the arrangement made by the trustees they have taken over at par all of the bonds offered by the depositors, and at the close of the fiscal year 1914 the Treasurer of the United States held $449,360 of such bonds, which are registered in the name of the board of trustees.

WITHDRAWAL OF BONDS TO SECURE CIRCULATION.

The deposits of lawful money of the United States to retire national bank notes is limited to $9,000,000 per month, under the provisions of the act of March 4, 1907, but this limit was not reached in any month during the fiscal year 1914. The national-bank notes outstanding on June 30, 1914, amounted to $750,671,899, a decrease of $8,786,007 as compared with that of 12 months earlier.

The deposits of lawful money and the amount of bank circulation outstanding may be studied in the monthly statement annexed:

Month.	Deposits of lawful money.	National-bank notes outstanding.	Month.	Deposits of lawful money.	National-bank notes outstanding.
July	$1,457,040	$759,293,191	February	$1,698,210	$753,168,832
August	3,813,347	761,720,029	March	1,673,720	752,050,299
September	1,520,645	759,030,694	April	569,000	751,765,766
October	781,000	758,899,709	May	2,114,795	751,554,696
November	536,688	757,159,471	June	966,190	750,671,899
December	1,871,500	757,842,961			
January	2,900,147	754,022,766	Total	19,902,282	

NATIONAL BANKS DESIGNATED AS DEPOSITARIES OF THE UNITED STATES.

The Secretary of the Treasury determines the number of such depositaries and the amount of public money required in each for the transaction of the public business, fixes the amount of balances they may hold, and requires the banks thus designated to give satisfactory security, by the deposit of United States bonds and otherwise, for the safe-keeping and prompt payment of the public money deposited with them, and for the faithful performance of their duties as financial agents of the Government. The regular depositaries receive and disburse the public moneys, while the special depositaries hold only the moneys transferred to them from the Treasury. All of the depositaries are required to pay interest at the rate of 2 per cent per annum on the average monthly amount of public deposits held.

The number of national-bank depositaries at the close of the fiscal years 1913 and 1914 are here stated:

	Regular.	Special.	Total.
Depositaries June 30, 1913	850	685	1,535
Depositaries June 30, 1914	960	624	1,584

PUBLIC DEPOSITS IN NATIONAL BANKS.

The balance of public moneys in depositary banks at the close of the fiscal year 1913 to the credit of the general fund was $69,776,133.15 and to the credit of postmasters and judicial officers $6,517,481.91, making a total of $76,263,615.06.

The working balance in the vaults of the Treasury offices at the beginning of the fiscal year 1914 was $71,052,925.96.

During the month of July, 1913, there was every indication that an increased amount of money would be required to facilitate the movement and marketing of the crops, and on July 31 the Secretary of the Treasury announced that he would at once deposit $25,000,000 to $50,000,000 in the banks of the South and West for this purpose upon the following terms: Deposits will be made only in national banks located in such of the principal cities of the several States as the Secretary may designate. Such banks must have an outstanding circulation at the time of deposit equal to at least 50 per cent of the amount authorized by law.

It is understood that such deposits are made to prevent or mitigate the financial tension so common at this period of the year incident to the movement of crops, and that the funds received by the banks will be used in good faith for this purpose and not for speculative or other transactions. The banks receiving the deposits will be expected to extend to the banks in smaller towns such accommodations as may be consistent with sound and conservative principles of banking, and that in all cases the rate of interest charged such banks will be moderate and reasonable. It is impracticable under existing conditions for the Government to extend these deposits to the various smaller towns and cities, therefore the depositaries selected are expected to act as mediums of distribution in furnishing funds to the localities in need of them for the purpose stated, of transporting and marketing the crops. As security for such deposits the banks receiving an allotment must deposit with the Treasurer of the United States bonds of the United States Government, of any issue, equal in amount to at least 10 per cent of the amount of the deposit. The remaining 90 per cent may be secured (1) by high-class State, municipal, or other bonds which have been approved by the Secretary, and which, when so approved, will be accepted as security at 75 per cent of their market value; (2) by prime commercial or business paper approved by the Secretary, and which, when so approved, will be accepted at 65 per cent of its face value. All such paper must bear the indorsement of the bank offering it.

The deposit of funds will in all cases, except where in the judgment of the Secretary special conditions justify a variation of this rule, be made in two installments of 50 per cent each of the amount allotted. In the Southern States it is proposed to make a deposit of 50 per cent of the allotment in August and 50 per cent in September.

Withdrawal of deposits.—All deposits will be payable on demand and without previous notice, but in order to afford the relief intended and to facilitate the movement and marketing of crops it is expected that, except in cases where variations of this rule may be deemed desirable by the Secretary, 25 per cent of the total deposit will be withdrawn by the Government on January 15, 1914, 25 per cent on February 15, 1914, 25 per cent on March 15, 1914, and 25 per cent on April 1, 1914. Banks shall have the right to return the deposits to the Treasury at an earlier date if they so elect.

Interest and expenses of deposit.—The depositary bank will be required to pay 2 per cent interest on the average balance maintained during the period of the deposit and must in addition pay such expenses as are incident to such deposit.

Under the foregoing terms deposits were made in the banks designated during August and September, and at the close of the latter month the balance in depositary banks to the credit of the general fund was $78,259,089.10, and to the credit of postmasters and judicial officers $6,947,909.70, making a total of $85,206,998.80.

As the designated banks qualified as depositaries, by deposits of approved securities, additional transfers were made from the Treasury during October and November until about the 24th of the latter month, when the public deposits in the banks attained a maximum for the year at $101,302,853.83, of which $94,448,245.84 was credited to the general fund, and $6,854,607.99 to postmasters and judicial officers.

The return to the Treasury of deposits by the banks in accordance with the requirements stated in the foregoing caused a gradual reduction of the public moneys held by them monthly from December, 1913, to the close of April, 1914, when the balance to the credit of the general fund was $51,196,144.82, and to the credit of postmasters and judicial officers $7,510,772.56, making a total of $58,706,917.38.

Under provisions of law the greater part of the taxes in the District of Columbia is paid during the month of May, and the collections are deposited in the Treasury of the United States. A large part of the money required for the purpose is withdrawn from local banks by the taxpayers, and as it is not returned to circulation immediately, the Secretary of the Treasury, in order to avoid a stringency in local financial conditions, decided to temporarily increase the deposits of public moneys in local national banks by $3,138,000 and directed that the transfers be made in four installments, as follows: 25 per cent May 15 and a like amount May 25, June 5 and 15, 1914. The money to be divided among the several banks in proportion to the total deposits therein and to be secured by bonds deposited with the Treasurer of the United States. Of the amount so placed, the depositary banks were required to return to the Treasury 20 per cent on or before July 15, 1914, 20 per cent on or before August 15, 1914, 10 per cent on or before September 15, 1914, and a like sum on or before the 15th of each succeeding month, making the final payment on or before February 15, 1915. Interest at the rate of 2 per cent per annum is required on this deposit.

The income and outgo of public moneys through the depositary banks during the month of June is much larger than in other months of the year owing to the provisions of law relating to the payment of the corporation excise tax and the income tax. On the last day of the fiscal year the collectors of internal revenue received payments of these taxes until a late hour, and as a result the collections were deposited in the depositary banks, in many instances after banking hours, and transfers thereof to Treasury offices could not be effected until the succeeding business day. At the close of the month of June, 1914, the banks held to the credit of the general fund $76,671,038.13, and to the credit of postmasters and judicial officers $8,372,731.49, making a total of $85,043,769.62.

GENERAL ACCOUNT OF THE TREASURER OF THE UNITED STATES.

The Treasurer receives and keeps the moneys of the United States and disburses the same upon warrants drawn by the Secretary of the Treasury, countersigned by the Comptroller of the Treasury, and not otherwise. He takes receipts for all moneys paid by him and gives receipts for all moneys received by him; and all receipts for moneys received by him are indorsed upon warrants signed by the Secretary of the Treasury, without which warrant, so signed, no acknowledgment for money received into the Public Treasury is valid. He renders his accounts quarterly, or oftener if required, and at all times submits to the Secretary of the Treasury and the Comptroller of the Treasury, or either of them, the inspection of the moneys in his hands.

As a matter of information, it may be said that all public moneys paid into any subtreasury office, national-bank depositary, or other depositary, are placed to the credit of the Treasurer of the United States and held subject to his draft. The public moneys in the hands of any depositary of public moneys may be transferred to the Treasury of the United States or may be transferred from one depositary to any other depositary, as the safety of the public moneys and the convenience of the public service shall require.

The public moneys in any subtreasury, mint, or other depositary are subject to special examination and count whenever it is deemed advisable by the Secretary of the Treasury. Such examinations of the moneys in the subtreasuries are frequently made by committees representing the Secretary and the Treasurer. Annual examinations of the public moneys in mints are made by committees selected by the Director of the Mint, but as these moneys are a part of the general account it is suggested that the Treasurer of the United States should have a representative on all such committees.

The system inaugurated February 1, 1913, for clearing warrants and checks paid under the provisions of Department Circular No. 5, was continued in operation during the greater part of the fiscal year 1914, but it was finally determined that it did not accomplish in a satisfactory manner the purposes for which it was devised. Under the direction of expert employees of the Civil Service Commission, a plan was worked out, patterned after the practice of banking institutions handling large numbers of checks daily. This plan was thoroughly tested by practical demonstrations and it was conceded by those familiar with the work to be well adapted for the purpose of clearing checks. The new plan was put in practice on May 1, 1914, and under its operation there has been no delay in clearing and settling daily the accounts.

MONETARY STOCK.

The monetary stock of the country at the close of the fiscal year 1914 was $3,738,288,871, an increase of $18,218,855 as compared with that of 12 months earlier. The growth in gold was $19,894,956, and in silver $7,030,906, while national-bank notes decreased $8,486,007 and Treasury notes $221,000. There was no change in the volume of United States notes.

The details for the past two years are stated here:

Monetary stock.

[This statement represents the monetary stock of the United States, as shown by the revised statements for June 30, 1912 and 1913.]

Kinds.	In Treasury and mints.	In circulation.	Total stock
JUNE 30, 1913.			
Gold coin and bullion	$1,262,361,036	$608,400,799	$1,870,761,835
Silver dollars	433,480,170	332,132,193	765,612,363
Subsidiary silver	20,737,926	154,458,070	175,195,996
Total metallic	1,776,585,032	834,986,062	2,611,571,094
United States notes	9,465,836	337,215,180	346,681,016
Treasury notes of 1890	3,330	2,656,670	2,660,000
National-bank notes	43,405,670	715,754,236	759,157,906
Total notes	52,872,836	1,055,626,086	1,108,498,922
Aggregate metallic and notes	1,829,457,868	1,890,612,148	3,720,070,016
Gold certificates	82,949,460	1,003,997,709	
Silver certificates	14,421,408	469,128,592	
Total certificates	97,370,868	1,473,126,301	
Aggregate		3,363,738,449	3,720,070,016
JUNE 30, 1914.			
Gold coin and bullion	1,279,112,110	611,544,681	1,890,656,791
Silver dollars	495,532,993	70,300,485	565,833,478
Subsidiary silver	22,040,989	159,965,698	182,006,687
Total metallic	1,796,686,092	841,810,864	2,638,496,956
United States notes	8,835,369	337,845,647	346,681,016
Treasury notes of 1890	11,237	2,427,763	2,439,000
National-bank notes	35,491,862	715,180,037	750,671,899
Total notes	44,338,468	1,055,453,447	1,099,791,915
Aggregate metallic and notes	1,841,024,560	1,897,264,311	3,738,288,871
Gold certificates	54,825,730	1,026,149,139	
Silver certificates	12,248,023	478,601,977	
Total certificates	67,073,753	1,504,751,116	
Aggregate		3,402,015,427	3,738,288,871

RATIO OF GOLD TO THE TOTAL STOCK OF MONEY.

The annual growth in the volume of gold as compared with the total stock of money since July 1, 1906, may be observed in the table following:

Ratio of gold to total stock of money from July 1, 1906.

[From the revised statements of the Treasury Department.]

Dates.	Total stock of money.	Gold.	Per cent.
July 1, 1906	$3,069,976,591	$1,475,706,765	48.07
July 1, 1907	3,115,728,887	1,466,389,101	47.06
July 1, 1908	3,378,764,020	1,618,133,492	47.89
July 1, 1909	3,406,328,354	1,642,041,999	48.20
July 1, 1910	3,419,591,483	1,636,043,478	47.85
July 1, 1911	3,555,958,977	1,753,196,722	49.30
July 1, 1912	3,648,870,650	1,818,188,417	49.82
July 1, 1913	3,720,070,016	1,870,761,835	50.28
July 1, 1914	3,738,288,871	1,890,656,791	50.57

MONEY IN CIRCULATION.

The growth in the volume of money in circulation during the year was $38,276,978, and it amounted to $3,402,015,427 on June 30, 1914. The element of gold coin and gold certificates increased $25,295,312, silver coin and silver certificates took on an increment of $13,151,305, and the United States notes and Treasury notes advanced $401,560, while national-bank notes decreased by $574,199.

The money in circulation attained a maximum at $3,480,074,312 on June 1, 1914, and a per capita of $35.19 notwithstanding the heavy drain upon the gold caused by exports of that metal during the month of May. Owing to the disturbed conditions abroad the export movement was continued during the month of June, resulting in a very noticeable reduction of the money in circulation by the close of the fiscal year 1914.

The kinds of money in circulation, the circulation per capita, and the percentage of gold coin and certificates to the total circulation may be studied from the subjoined table:

Money in circulation at the end of each fiscal year from 1906.

Fiscal years.	Money in circulation.					Circulation per capita.	Percentage of gold coin and certificates to total circulation.
	Gold coin and gold certificates.	United States notes and Treasury notes.	National-bank notes.	Silver coin and silver certificates.	Total.		
1906	$1,185,216,924	$343,277,540	$548,001,238	$360,150,926	$2,736,646,628	32.32	43.30
1907	1,161,769,670	348,245,590	589,242,125	673,699,070	2,772,956,455	32.22	41.90
1908	1,396,221,429	344,359,852	631,648,680	665,785,527	3,038,015,488	34.72	45.95
1909	1,414,343,147	344,321,682	665,538,806	682,037,022	3,106,240,657	34.93	45.53
1910	1,393,632,192	338,450,395	686,659,535	686,613,483	3,102,355,605	34.33	44.91
1911	1,519,663,467	342,226,378	687,701,283	664,411,468	3,214,002,596	34.20	47.28
1912	1,554,159,771	340,612,891	705,142,259	684,598,172	3,284,513,093	34.34	47.31
1913	1,612,398,508	339,871,850	715,754,236	695,713,855	3,363,738,449	34.56	47.93
1914	1,637,693,820	340,273,410	715,180,037	708,868,160	3,402,015,427	34.35	48.14

CIRCULATION AND POPULATION.

Statistics relative to the money in circulation and the population, by years, may be studied in the annexed table:

Increase in population and in circulation per capita.

Fiscal years.	Money in circulation.	Population.	Circulation per capita.	Per cent of increase of population per year.	Per cent of increase of circulation per capita per year.
1906	$2,736,646,628	84,662,000	32.32	1.7	3.9
1907	2,772,956,455	86,074,000	32.22	1.7	[1].3
1908	3,038,015,488	87,496,000	34.72	1.6	7.8
1909	3,106,240,657	88,926,000	34.93	1.6	.6
1910	3,102,355,605	90,363,000	34.33	1.6	[1]1.7
1911	3,214,002,596	93,983,000	34.20	4.0	[1].3
1912	3,284,513,093	95,656,000	34.34	1.7	.4
1913	3,363,738,449	97,337,000	34.56	1.7	.6
1914	3,402,015,427	99,027,000	34.35	1.7	[1].6

[1] Decrease.

CONDITION OF THE UNITED STATES PAPER CURRENCY.

At the close of the fiscal year 1914 the total stock of paper currency in the United States amounted to $2,671,616,784, of which the Government issued directly $1,920,944,885, and the national banks $750,671,899. The $5 notes are very popular and the total amount of this denomination outstanding June 30, 1914, was $550,146,802, of which the Government issued $412,951,117, and the banks $137,195,685. National banks are precluded from issuing $1 and $2 notes, and the issue of $5 notes is limited to one-third in amount of the total circulation of the banks. If the option of one-third in $5 bills had been taken by all national banks the normal supply of such bank bills on June 30, 1914, would have been $250,223,960 instead of the amount reported, viz, $137,195,685.

National-bank notes are not available for "reserves," and for this reason large amounts of such circulation are returned to the Treasury by the banks for redemption in order to replenish their "reserves." The expense of transportation of the unfit notes to the Treasury in such cases is borne by the bank of issue, while the return of the proceeds is at the expense of the owner of the notes. The owners of Government paper currency sent to the Treasury for redemption have to pay the transportation charges both ways, and the payment of these charges under contract rates gives rise to a burden that does not bear equally upon the banks and other business interests in the different sections of the country, as for instance, the contract rates from Chicago, St. Louis, and Boston to Washington are 20 cents per $1,000, while such rates from Savannah, Charleston, Richmond, and other southern cities to Washington are 60 cents per $1,000. It is apparent that there is necessity for legislation that will equalize the expense of redemption between the different sections of the country. This may be accomplished through a more extended use of the registered mail. Banking institutions in all parts of the country are resorting to this method of transportation with satisfactory results. There can be no objection to the same use of the registered mail by the Government.

Laundering machines for cleaning United States paper currency received for redemption, and rendering such currency fit for further circulation are in use in the Treasury at Washington and in the subtreasuries at New York, Boston, Philadelphia, and Chicago. In the Treasury at Washington all kinds of United States paper currency are cleaned, while the subtreasury offices confine their efforts to silver certificates of $5 and under. The washed notes are not equal to new notes, neither will they give as much service, but it is believed that the life of usefulness of the laundered notes will be prolonged at a very small expense.

UNITED STATES NOTES.

The United States notes are the well-known "greenbacks" or "legal tenders," the first issue of which was authorized by the act of February 25, 1862. The total amount authorized was $450,000,000, and the highest amount outstanding at any time was $449,338,902, on January 30, 1864.

Under the operations of enactments by Congress authorizing the canceling and retiring of these notes as they were received in the

Treasury, the amount outstanding had been reduced more than $100,000,000 when the process was finally stopped by the act of May 31, 1878, which required the notes to be reissued when redeemed. At that time the amount outstanding was $346,681,016, and it has not been changed since, though $546,466,414 of these notes have been redeemed in gold under the provisions of the act of January 15, 1875 (resumption act), and paid out again, a proceeding which was properly designated as "the endless chain." The act of March 14, 1900, modified the operations of the resumption act by requiring that the notes redeemed shall not be paid out again until exchanged for gold, and under this act $375,174,798 of the notes have been redeemed in and exchanged for gold, making a total of $921,641,212 in gold that has been paid in redemption of United States notes since January 1, 1879, and yet in spite of these payments the volume outstanding remains the same as on May 31, 1878.

The United States notes issued and redeemed during the last fiscal year were $168,220,000, and the transactions resulted in a noticeable growth in the volume of notes of the denomination of $5 outstanding.

The amounts issued and redeemed, by denominations, during the fiscal year 1914 are set out in the table following:

Denominations.	Outstanding June 30, 1913.	Fiscal year, 1914.		Outstanding June 30, 1914.
		Issued.	Redeemed.	
One dollar	$1,826,982		$3,764	$1,823,218
Two dollars	1,371,041		3,816	1,367,225
Five dollars	194,807,580	$129,460,000	121,270,850	202,996,730
Ten dollars	95,937,496	36,960,000	39,144,240	93,753,256
Twenty dollars	10,064,892		1,594,080	8,470,812
Fifty dollars	1,687,225	200,000	196,950	1,690,275
One hundred dollars	4,207,800		432,800	3,775,000
Five hundred dollars	4,035,000	300,000	467,500	3,867,500
One thousand dollars	33,733,000	1,300,000	5,106,000	29,927,000
Five thousand dollars				
Ten thousand dollars	10,000			10,000
Total	347,681,016	168,220,000	168,220,000	347,681,016
Unknown, destroyed	1,000,000			1,000,000
Net	346,681,016	168,220,000	168,220,000	346,681,016

TREASURY NOTES OF 1890.

The issue of Treasury notes of 1890 for the purchase of silver bullion began on August 19, 1890, and from that date to November 1, 1893 (the date of the repeal of the purchasing clause of the act), the Government had purchased 168,674,682.53 fine ounces, at a cost of $155,931,001, for which Treasury notes had been paid.

Under provisions of existing law these notes have been retired as they are received into the Treasury, and at the close of the fiscal year 1914 but $2,439,000 remained outstanding, offset by an equal amount of standard silver dollars held in the trust funds for their redemption when presented. The amount of each demonination issued, redeemed, and outstanding may be observed in Table No. 21 on page 354 of this report.

GOLD CERTIFICATES.

The gold certificates are issued in denominations of $10 and above to $10,000, and furnish the larger denominations required in circulation. In the channels of trade gold coin does not enter largely into

circulation except on the Pacific coast, but the people exercise the option offered under existing law of depositing the coin in the Treasury and receiving in its stead the gold certificates which in recent years have become so popular. The volume of gold certificates is greater than that of any other kind of paper money in circulation. The amount outstanding attained a maximum at $1,163,728,869 on May 8, 1914, but owing to heavy withdrawals of gold for export the amount was reduced to $1,080,974,869 by the close of the fiscal year on June 30, 1914.

The transactions in gold certificates during the fiscal year 1914 are set forth, by denominations, in the annexed table:

Denominations.	Outstanding June 30, 1913.	Fiscal year 1914.		Outstanding June 30, 1914.
		Issued.	Redeemed.	
Ten dollars	$288,406,110	$135,320,060	$141,170,450	$282,555,660
Twenty dollars	277,551,204	77,280,000	87,537,150	267,294,054
Fifty dollars	58,725,255	16,800,000	16,866,000	58,659,255
One hundred dollars	84,149,600	24,600,000	20,789,700	87,959,900
Five hundred dollars	18,299,500	6,700,000	3,662,000	21,337,500
One thousand dollars	64,945,500	21,500,000	19,377,000	67,068,500
Five thousand dollars	76,730,000	33,500,000	36,770,000	73,460,000
Ten thousand dollars	217,920,000	185,820,000	185,100,000	222,640,000
Total	1,086,727,169	505,520,000	511,272,300	1,080,974,869

SILVER CERTIFICATES.

Silver certificates are issued largely in denominations of $1, $2, and $5, and are in great demand during the greater part of the year. The volume of the smaller certificates became somewhat redundant about January, 1914, and were returned to the department for redemption, and in order to pay for redemptions in kind it became necessary to issue certificates of the denominations of $10, $20, and $50, however, the act of March 4, 1900, limits the total amount of the denominations of $20, $50, and $100 to 10 per cent of the total volume of said certificates. The resources of the department for the issue of silver certificates is limited to the free silver dollars in the Treasury. The total amount of silver certificates outstanding at the close of the fiscal year 1914 was $490,850,000, an increase of $7,300,000 as compared with that of 1913.

The silver certificates issued and redeemed, by denominations, during the last fiscal year are stated in the table following:

Denominations.	Outstanding June 30, 1913.	Fiscal year 1914.		Outstanding June 30, 1914.
		Issued.	Redeemed.	
One dollar	$178,855,129	$193,856,000	$193,031,002	$179,680,127
Two dollars	66,159,623	63,032,000	65,284,198	63,907,425
Five dollars	219,065,077	120,720,000	130,415,500	209,369,577
Ten dollars	11,805,271	13,360,000	4,171,300	20,993,971
Twenty dollars	3,804,970	2,800,000	607,700	5,997,270
Fifty dollars	3,391,210	7,800,000	714,900	10,479,310
One hundred dollars	422,720		39,900	382,820
Five hundred dollars	21,000		500	20,500
One thousand dollars	22,000		3,000	19,000
Total	483,550,000	401,568,000	394,268,000	490,850,000

CHANGES IN DENOMINATIONS.

The needs of business make constant demand for small bills as instruments of local trade. The extension of habitation into remote districts, multiplication of lines of traffic, and the development of industrial activities are some of the requirements that must be provided for by an annual increase of the smaller denominations of paper money in circulation. The demand for such bills is urgent during the first half of the fiscal year, but from January to July these small denominations are returned in great numbers to the Treasury for redemption with requests for larger denominations in return.

The total amount of United States paper currency of each denomination issued, redeemed, and outstanding at the close of the fiscal year 1914 is stated in the table following:

Denominations.	Outstanding June 30, 1913.	Fiscal year 1914.		Outstanding, June 30, 1914.
		Issued.	Redeemed.	
One dollar	$181,048,072	$193,856,000	$193,040,778	$181,863,294
Two dollars	67,765,863	63,032,000	65,292,992	65,504,871
Five dollars	414,504,707	250,180,000	251,733,590	412,951,117
Ten dollars	396,936,297	185,640,000	184,569,810	398,006,487
Twenty dollars	291,800,436	80,080,000	89,788,430	282,092,006
Fifty dollars	63,820,190	24,800,000	17,778,700	70,841,490
One hundred dollars	88,927,620	24,600,000	21,278,000	92,249,620
Five hundred dollars	22,355,500	7,000,000	4,130,000	25,225,500
One thousand dollars	98,799,500	22,800,000	24,499,000	97,100,500
Five thousand dollars	76,730,000	33,500,000	36,770,000	73,460,000
Ten thousand dollars	217,930,000	189,820,000	185,100,000	222,650,000
Total	1,920,618,185	1,075,308,000	1,073,981,300	1,921,944,885
Unknown, destroyed	1,000,000			1,000,000
Net	1,919,618,185	1,075,308,000	1,073,981,300	1,920,944,885

PIECES OF UNITED STATES PAPER CURRENCY OUTSTANDING.

The number of pieces of United States paper currency outstanding generally increases monthly for the first six months of the fiscal year, followed by a reduction in the number of pieces during the last half of the year. The monthly variations may be studied from the following comparative statement of pieces outstanding, by months, for the fiscal years 1913 and 1914.

Months.	Fiscal year 1913, outstanding.		Fiscal year 1914, outstanding.	
	Number of pieces.	Total value.	Number of pieces.	Total value.
July	331,009,946	$1,875,485,285	355,061,301	$1,926,447,185
August	336,404,037	1,893,203,285	359,691,761	1,940,005,185
September	343,583,145	1,912,097,185	362,939,304	1,931,459,185
October	342,643,988	1,895,800,185	364,667,367	1,940,903,185
November	346,471,441	1,908,418,185	366,622,666	1,953,763,985
December	351,425,617	1,925,699,185	369,464,657	1,955,452,985
January	347,504,385	1,915,014,185	364,428,530	1,972,840,985
February	343,821,000	1,961,945,185	358,373,439	1,964,771,985
March	347,337,622	1,893,839,185	357,563,636	1,962,402,985
April	349,741,218	1,906,185,185	357,214,092	1,976,192,885
May	353,155,771	1,912,843,185	356,253,034	1,968,322,885
June	354,461,922	1,920,618,185	353,635,035	1,921,944,885

PAPER CURRENCY, BY DENOMINATIONS, OUTSTANDING JUNE 30, 1914.

The amount of each kind of paper currency outstanding, by denominations, may be studied in the monthly statement for June, 1914.

Denominations.	United States notes.	Treasury notes of 1890.	National-bank notes.	Gold certificates.	Silver certificates.	Total.
One dollar	$1,823,218	$359,949	$342,763		$179,680,127	$182,206,057
Two dollars	1,367,225	230,221	163,786		63,907,425	65,668,657
Five dollars	202,996,730	584,810	137,195,685		209,369,577	550,146,802
Ten dollars	93,753,256	703,600	331,748,930	$282,555,690	20,963,971	729,753,417
Twenty dollars	8,470,812	329,870	231,079,920	267,294,054	5,997,375	513,171,926
Fifty dollars	1,690,275	12,650	20,651,300	58,659,255	10,479,316	91,492,790
One hundred dollars	3,775,000	131,900	31,504,150	87,959,900	382,820	123,753,770
Five hundred dollars	3,867,500		88,500	21,337,500	20,500	25,314,000
One thousand dollars	29,927,000	86,000	22,000	67,068,500	19,000	97,122,500
Five thousand dollars				73,460,000		73,460,000
Ten thousand dollars	10,000			222,640,000		222,650,000
Fractional parts			53,045			53,045
Total	347,681,016	2,439,000	752,848,079	1,080,974,869	490,850,000	2,674,792,964
Unknown, destroyed	1,000,000		[1] 2,176,180			3,176,180
Net	346,681,016	2,439,000	750,671,899	1,080,974,869	490,850,000	2,671,616,784

[1] Redeemed but not assorted by denominations.

RATIO OF SMALL DENOMINATIONS TO ALL PAPER CURRENCY.

The ratio of denominations of $10 and less to the total paper currency, by fiscal years since 1906, is recorded in the statement following:

Dates.	Total paper currency.	Denominations of $10 and less.				
		One dollar.	Two dollars.	Five dollars.	Ten dollars.	Total.
		Per cent.	Per cent.	Per cent.	Per cent.	Per ct.
July 1, 1906	$1,953,712,245	5.31	2.51	19.67	27.43	54.93
July 1, 1907	2,111,659,575	5.24	2.69	19.48	25.84	53.26
July 1, 1908	2,345,130,802	4.92	2.46	20.79	26.00	54.19
July 1, 1909	2,375,261,959	5.33	2.44	19.84	25.77	53.40
July 1, 1910	2,419,600,310	5.93	2.54	20.62	26.53	55.62
July 1, 1911	2,538,656,263	6.02	2.45	20.39	26.28	55.16
July 1, 1912	2,619,224,090	6.25	2.46	20.55	26.33	55.65
July 1, 1913	2,681,085,911	6.76	2.53	20.82	27.15	57.28
July 1, 1914	2,674,792,964	6.81	2.45	20.56	27.28	57.11

COST OF PAPER CURRENCY.

Inquiries often reach the department relating to the production and cost of the paper currency.

As a matter of information it may be stated that the paper used is made by a secret process under Treasury supervision by annual contract under competitive bids. The Bureau of Engraving and Printing, a branch of the department, designs, under the direction of the Secretary, engraves, and prints the notes and certificates complete. This currency is delivered to the Treasurer in packages of 4,000 notes, the product of 1,000 sheets of paper. Such a package is taken as the unit from which to reckon the cost.

With the allowance for every item of expense attending the making, the issue, and the redemption of this paper currency, it appears that the average cost is as follows:

Total average expense of 4,000 notes issued	$52.50
Total average expense of 4,000 notes redeemed	8.54
Aggregate average expense of issue and redemption	61.04

It appears from the foregoing that the average cost for each note is about 1.526 cents. Calculations based upon these average expenses of issue and redemption indicate results that will be very close to the actual cost of maintenance of the paper currency, and such cost for the fiscal years 1913 and 1914 may be studied from the details set forth in the subjoined statement:

Total expenses of issue and redemption.

Fiscal years.	Number of pieces.	Cost per 1,000 pieces.	Total cost.
1913.			
Issued	318,264,407	$13.125	$4,177,220.34
Redeemed	291,131,640	2.135	621,566.05
Total			4,798,786.39
1914.			
Issued	298,780,482	13.125	3,921,493.82
Redeemed	299,607,371	2.135	639,661.73
Total			4,561,155.55

United States paper currency outstanding and cost of maintenance.

Fiscal years.	Amount outstanding.	Cost of maintenance.	
		Amount.	Per cent.
1913	$1,919,618,185	$4,798,786.39	0.249
1914	1,920,944,885	4,561,155.55	.237

In this connection attention is invited to the saving of abrasion on the gold and silver coins held in the Treasury against outstanding certificates and notes, which to all intents and purposes is an offsetting item against the cost of the paper currency issued directly by the Government, though not so treated in the foregoing calculations.

AVERAGE LIFE OF PAPER CURRENCY.

The average lifetime of the pieces of paper money outstanding is undoubtedly shortened by the increasing activities of such currency in the channels of trade. This is particularly noticeable in the current issue of the smaller denominations, $5 and under.

The average lifetime of each note, in years by kinds, may be observed in the annexed statement:

Denominations.	United States notes.	Treasury notes.	Gold certificates.	Silver certificates.	National-bank notes.
One dollar	3.13	1.75	.....	1.05	4.44
Two dollars	3.23	1.88	.....	1.22	4.52
Five dollars	2.79	2.96	.....	1.87	2.71
Ten dollars	3.60	3.73	1.73	3.35	2.53
Twenty dollars	5.96	4.01	3.15	3.98	2.92
Fifty dollars	6.15	3.73	3.46	2.97	3.89
One hundred dollars	6.14	3.62	3.57	2.78	3.83
Five hundred dollars	3.81	.....	3.46	1.88	5.10
One thousand dollars	4.22	1.91	3.30	1.41	3.32
Five thousand dollars	.32	.....	1.92	.....	.....
Ten thousand dollars	.16	.....	1.59	.....	.....
All denominations	3.25	2.21	2.36	1.28	2.76

PAPER CURRENCY PREPARED FOR ISSUE AND AMOUNT ISSUED.

The pieces of United States paper currency outstanding numbered 353,635,035 on June 30, 1914, of the total value of $1,721,944,885. It is incumbent upon the Treasury to maintain this great number of pieces and to provide for the annual growth of the smaller bills so much in demand. The reserve vault should be well stocked with currency of the kinds and denominations authorized by law, in order that it may be thoroughly seasoned before it is put in circulation. It is believed that with the improved facilities now in operation the output in future will be ample for this purpose.

The number of pieces and amount of paper currency prepared for issue and the amount issued since 1906 may be studied in the table following:

Fiscal years.	Prepared for issue.			Paper currency issued.		
	Number of notes and certificates.	Total value.	Average value.	Number of notes and certificates.	Total value.	Average value.
1906	157,425,000	$602,172,000	$3,825	172,930,548	$629,826,000	$3.642
1907	178,180,000	679,480,000	3.813	173,093,911	698,273,000	4.034
1908	197,012,000	858,944,000	4.359	188,999,912	804,326,000	4.255
1909	206,808,000	637,320,000	3.080	202,746,192	764,510,000	3.770
1910	245,210,400	803,579,600	3.441	240,990,922	767,115,600	3.183
1911	268,450,000	957,744,000	3.567	267,207,921	913,540,000	3.418
1912	301,302,000	990,096,000	3.286	290,809,347	916,852,000	3.152
1913	307,188,000	903,716,000	2.941	318,264 407	1,035,462,000	3.253
1914	294,418,000	1,179,280,000	4.005	298,780,482	1,075,308,000	3.598

It will be observed from the foregoing that the pieces issued during the year numbered 298,780,482, of the total value of $1,075,308,000. The excess of pieces issued over those prepared for issue during 1914 were drawn from the stock in the reserve vault and consisted principally of the smaller denominations. The number of pieces and amount issued monthly for the fiscal years 1913 and 1914 are set out in the statement following.

United States paper currency issued during the fiscal years 1913 and 1914.

Months.	Fiscal year 1913.			Fiscal year 1914.		
	Number of notes and certificates.	Total value.	Average value of notes and certificates.	Number of notes and certificates.	Total value.	Average value of notes and certificates.
July	24,502,669	$74,774,000	$3.051	25,242,764	$86,198,000	$3.414
August	26,002,122	85,066,000	3.271	24,879,249	81,914,000	3.292
September	26,877,306	81,360,000	3.027	26,158,554	94,520,000	3.613
October	29,328,778	92,080,000	3.139	24,184,526	86,022,000	3.556
November	24,284,613	79,430,000	3.270	22,851,588	79,976,000	3.499
December	27,854,516	96,652,000	3.469	30,207,031	90,516,000	2.996
January	28,144,055	94,870,000	3.370	27,359,310	130,912,000	4.784
February	23,538,549	74,022,000	3.144	19,375,604	69,126,000	3.567
March	26,781,873	80,878,000	3.020	25,803,853	80,280,000	3.111
April	26,197,840	87,958,000	3.357	23,896,521	92,766,000	3.088
May	27,768,548	96,772,000	3.484	24,956,683	93,608,000	3.750
June	26,983,538	91,600,000	3.394	23,864,794	89,470,000	3.748
Total	318,264,407	1,035,462,000	3.253	298,780,482	1,075,308,000	3.598
Per cent of increase over preceding year.	9.4	12.9	.....	[1] 6.1	3.8	.....

[1] Decrease.

SUPPLY OF UNITED STATES PAPER CURRENCY HELD IN RESERVE.

The pieces of United States paper currency held in the reserve vault at the close of the fiscal year 1914 numbered 19,549,048, a net decrease of 4,362,482 pieces as compared with like holdings of 12 months earlier. The output of the denominations of $1, $2, and $100 was not equal to the demand, hence recourse to the reserve was necessary to supply such denominations required in circulation.

A comparison by number of pieces of each denomination and total value of the United States paper currency held in the reserve vault at the close of the fiscal years 1913 and 1914 may be observed in the following statement:

Denominations.	Held June 30, 1913.		Held June 30, 1914.	
	Number of pieces.	Total value.	Number of pieces.	Total value.
One dollar	7,492,000	$7,492,000	3,104,000	$3,104,000
Two dollars	3,076,000	6,152,000	1,516,000	3,032,000
Five dollars	5,060,000	25,300,000	5,060,000	25,300,000
Ten dollars	5,492,000	54,920,000	6,488,000	64,880,000
Twenty dollars	2,284,000	45,680,000	2,776,000	55,520,000
Fifty dollars	352,000	17,600,000	460,000	23,000,000
One hundred dollars	94,000	9,400,000	48,000	4,800,000
Five hundred dollars	27,500	13,750,000	53,500	26,750,000
One thousand dollars	21,300	21,300,000	22,500	22,500,000
Five thousand dollars	4,000	20,000,000	5,300	26,500,000
Ten thousand dollars	4,000	40,000,000	5,200	52,000,000
Order gold certificates	4,730	47,300,000	10,548	105,480,000
Total	23,911,530	303,894,000	19,549,048	412,866,000

REDEMPTIONS OF PAPER CURRENCY.

The redemption of currency during the fiscal year were about equal to the issues. There were 299,607,371 pieces of United States paper currency redeemed, an increase of 8,475,731 pieces, or 2.91 per cent,

over those of the preceding 12 months. The pieces redeemed were 826,889 greater than those issued, while the amount was $1,326,700 less than the amount issued during the year.

The transactions, by months, for the fiscal years 1913 and 1914 are recorded in the annexed table:

United States paper currency redeemed during the fiscal years 1913 and 1914.

Months.	Fiscal year 1913.			Fiscal year 1914.		
	Number of notes and certificates.	Total value.	Average value of notes and certificates.	Number of notes and certificates.	Total value.	Average value of notes and certificates.
July	20,821,974	$71,505,100	$3.434	24,643,388	$80,369,000	$3.261
August	20,607,940	67,348,000	3.268	20,248,789	68,356,000	3.375
September	19,698,199	62,466,100	3.171	22,911,006	103,066,000	4.498
October	30,267,934	108,377,000	3.580	22,456,468	76,578,000	3.410
November	20,457,160	66,812,000	3.265	20,896,282	67,115,200	3.211
December	22,900,337	79,571,000	3.465	27,365,046	88,827,000	3.246
January	32,065,288	105,555,000	3.291	32,395,437	113,524,000	3.504
February	27,221,953	87,091,000	3.199	25,440,696	77,195,000	3.035
March	23,265,250	88,984,000	3.824	26,613,661	82,649,000	3.105
April	23,794,245	75,612,000	3.177	24,246,064	78,976,100	3.257
May	24,353,996	90,114,000	3.700	25,917,690	101,478,000	3.915
June	25,677,384	85,825,000	3.264	26,482,844	135,848,000	5.129
Total	291,131,640	987,060,200	3.390	299,607,371	1,073,981,300	3.594
Per cent of increase over preceding year	6.47	15.58	.....	2.91	8.8	.....

STANDARD SILVER DOLLARS.

At the close of the fiscal year 1914 the stock of standard silver dollars was $565,833,478, of which $70,300,485 were in circulation and $495,532,993 were held in the Treasury, against which silver certificates to the amount of $490,850,000 were outstanding. The silver dollars are shipped to depositors therefor at the expense of the consignee for transportation charges when there is demand for same. Such shipments average about $12,800,000 annually; however, the silver dollars soon find their way back into the Treasury. The amount in circulation at the close of the last fiscal year was less by $1,826,708 than at the close of 1913.

SUBSIDIARY SILVER COIN.

The amount of subsidiary silver coin in circulation at the close of the last fiscal year was $159,965,698, and there were held as assets in the Treasury $22,040,989, the total stock being $182,006,687, an increase of $6,810,691 as compared with that of 12 months earlier. The amount of these coins shipped to depositors therefor average about $22,000,000 annually, and such shipments are made at the expense of the consignee for transportation charges.

The subsidiary silver coins are redeemable in lawful money of the United States by the Treasurer or any Assistant Treasurer, and such coins are paid over the counter of Treasury offices in exchange for other kinds of money.

The growth in the general stock of subsidiary silver coins has averaged about $5,700,000 for each fiscal year since 1908.

MINOR COIN.

The minor coins are in great demand, and though they form no part of the stated stock of money in the United States, yet they are an essential element of circulation in the channels of trade. They are redeemable in the lawful money of the United States when presented in sums or multiples of $20 to the Treasurer or any Assistant Treasurer.

The net addition made to the outstanding minor coin during the last fiscal year was $1,137,674.71 in bronze cents, and $1,447,848.85 in nickel 5-cent pieces, making a total of $2,585,523.56, while the older coins decreased $934.97.

The amount of each denomination of minor coin outstanding at the close of the fiscal years 1913 and 1914 is set out in the following statement:

Denominations.	Outstanding June 30, 1913.	Fiscal year 1914.		Outstanding June 30, 1914.
		Coined.	Remelted.	
Copper cents	$1,182,000.22		$115.73	$1,181,884.49
Copper half cents	39,926.11			39,926.11
Copper nickel cents	1,203,543.56		303.90	1,203,239.66
Bronze 1-cent pieces	21,163,786.41	$1,160,628.99	22,954.28	22,301,461.12
Bronze 2-cent pieces	571,626.68		213.66	571,413.02
Nickel 3-cent pieces	657,501.53		301.68	657,199.85
Nickel 5-cent pieces	34,475,189.60	2,020,727.80	572,878.95	35,923,038.45
Total	59,293,574.11	3,181,356.79	596,768.20	61,878,162.70

Minor coins are shipped to depositors therefor at the expense of the consignee for transportation charges, and they are paid over the counter at Treasury offices in exchange for other kinds of money.

TRANSFERS OF FUNDS FOR DEPOSITS MADE IN NEW YORK.

For many years past the cooperation of the Treasury has been requested by banking institutions in the transfer of large sums of money between subtreasury cities, through the medium of the general account, to facilitate the supply of currency to be used in the movement of crops or to meet other demands of business. When such transfers can be made without detriment to the public interest, the requests are granted.

The following table gives the deposits in New York in calendar years and the resultant payments in the several cities from 1909 to June 30, 1914:

Transactions.	Gold coin and certificates.	United States notes.	Silver dollars and certificates.	Total.
1909—Receipts	$19,172,000.00	$5,000.00		$19,177,000.00
Paid by the Treasurer and assistant treasurers of the United States:				
Washington		450,000.00	$100,000.00	550,000.00
Chicago	600,000.00			600,000.00
Cincinnati	200,000.00			200,000.00
New Orleans	615,000.00	55,000.00	257,000.00	927,000.00
San Francisco	16,900,000.00			16,900,000.00
Total	18,315,000.00	505,000.00	357,000.00	19,177,000.00

Transactions.	Gold coin and certificates.	United States notes.	Silver dollars and certificates.	Total.
1910—Receipts	$11,815,000.00			$11,815,000.00
Paid by the Treasurer and assistant treasurers of the United States:				
Washington	400,000.00			400,000.00
New Orleans	3,146,000.00	$780,000.00	$129,000.00	4,055,000.00
San Francisco	7,360,000.00			7,360,000.00
Total	10,906,000.00	780,000.00	129,000.00	11,815,000.00
1911—Receipts	23,350,000.00			23,350,000.00
Paid by the Treasurer and assistant treasurers of the United States:				
Washington	400,000.00			400,000.00
Chicago	10,000,000.00			10,000,000.00
Cincinnati	100,000.00			100,000.00
New Orleans	200,000.00			200,000.00
Philadelphia	900,000.00			900,000.00
San Francisco	11,750,000.00			11,750,000.00
Total	23,350,000.00			23,350,000.00
1912—Receipts	25,117,805.29			25,117,805.29
Paid by the Treasurer and assistant treasurers of the United States:				
Washington	400,000.00			400,000.00
New Orleans	4,220,000.00			4,220,000.00
Philadelphia	2,900,000.00			2,900,000.00
St. Louis	250,000.00			250,000.00
San Francisco	17,347,805.29			17,347,805.29
Total	25,117,805.29			25,117,805.29
1913—Receipts	13,818,958.33			13,818,958.33
Paid by the Treasurer and assistant treasurers of the United States:				
Washington	105,000.00			105,000.00
Chicago	100,000.00			100,000.00
Cincinnati	1,700,000.00			1,700,000.00
New Orleans	1,075,000.00			1,075,000.00
San Francisco	10,838,958.33			10,838,958.33
Total	13,818,958.33			13,818,958.33
1914—Receipts:				
In April	1,300,000.00			1,300,000.00
In May	3,550,000.00			3,550,000.00
In June	2,265,000.00			2,265,000.00
Total	7,115,000.00			7,115,000.00
Paid by the assistant treasurers of the United States:				
San Francisco	7,115,000.00			7,115,000.00

USE OF ORDER GOLD CERTIFICATES FOR EXCHANGE ON NEW YORK.

Previous to February 1, 1910, the banks in San Francisco, under provisions of existing law, exchanged gold coin at the Subtreasury for demand gold certificates of large denominations, which they sent by registered mail to their correspondents in New York, thus effecting a transfer of funds at small cost to the banks. The demand gold certificates were shipped from Washington to San Francisco by express at the rate of $1.75 per $1,000, while order gold certificates (incomplete) were sent by express in packages of $5,000,000 at a total cost of only $15.

In order to eliminate the expense of transporting demand certificates to San Francisco, and at the same time to grant to the banks

in that city their rights under the law to deposit gold coin in exchange for gold certificates, it was deemed advisable to issue to said banks order gold certificates, series of 1900, and to make them payable by the assistant treasurer of the United States, New York. Under this plan an actual saving of expense was effected, even if it should later become necessary to transport the gold coin so deposited to New York, because the transportation charge on gold coin from San Francisco to New York is less than the charge on demand gold certificates from Washington to San Francisco. However, there is usually a "return movement" at certain seasons of the year, during which it becomes desirable on the part of banks to make deposits of funds in New York, and to have payments made therefor in gold coin at the Subtreasury in San Francisco.

The transactions, semiannually, since February, 1910, are recorded in the statement following:

Period.	Order gold certificates issued in San Francisco and redeemed in New York.	Deposits in New York for which payments were made in San Francisco.
1910—February to June, inclusive	$3,750,000	$2,650,000
July to December, inclusive	600,000	4,260,000
1911—January to June, inclusive	5,100,000	3,500,000
July to December, inclusive		8,250,000
1912—January to June, inclusive	3,000,000	10,418,566
July to December, inclusive	5,200,000	6,929,239
1913—January to June, inclusive	2,900,000	1,988,958
July to December, inclusive	1,400,000	8,850,000
1914—January to June, inclusive	1,200,000	7,115,000
Aggregate	23,150,000	53,961,763

It will be observed that the deposits made in New York on account of the return movement are $30,811,763 in excess of the payments made for gold certificates issued at San Francisco. This method of using the order certificates is in the interest of good administration, and has made it possible to discontinue the shipments of demand gold certificates from Washington to San Francisco, with a resultant saving of transportation charges.

DEPOSITS OF GOLD BULLION AT MINTS AND ASSAY OFFICES IN THE FISCAL YEARS 1913 AND 1914.

The facilities provided by the Treasury for marketing the new product of gold bullion attracts to the mints and assay offices the greater part of the output of our mines. Under the provisions of an act of Congress approved March 2, 1911, the product of our gold mines and all imports of gold may be deposited in the mints and assay offices, for which the full value thereof will be paid, either in coin or by check on the Treasurer of the United States, and against the gold so deposited and paid for, the Secretary of the Treasury may, in his discretion, issue gold certificates.

The new product of the mines or original deposits of gold bullion at the mints and assay offices during the fiscal years 1913 and 1914 may be studied in the annexed statements:

Office.	1913	1914
Philadelphia	$1,493,553.40	$1,548,892.20
San Francisco	54,101,615.95	46,588,789.25
Denver	21,075,876.26	20,994,150.26
New York	65,612,158.65	58,716,110.04
New Orleans	897,328.15	717,585.34
Carson	724,853.37	321,300.56
Helena	1,495,788.35	708,279.82
Boise	1,008,940.29	1,072,499.13
Charlotte (discontinued June 30, 1913)	29,244.45	.....
Deadwood	7,290,951.52	2,678,993.89
Seattle	4,951,640.57	8,114,050.54
Salt Lake City	595,520.36	111,606.00
Total	159,277,471.32	141,572,257.03

SHIPMENTS OF CURRENCY FROM WASHINGTON.

The currency distributed from the Treasury in Washington to the subtreasuries and to banks during the fiscal year 1914 amounted to $935,952,146, against $882,677,335 during the preceding 12 months. The transactions during the past two years are compared in the statement following:

	Fiscal year 1913.		Fiscal year 1914.	
	Number of packages.	Amount.	Number of packages.	Amount.
Total by express	106,073	$878,703,859	103,485	$932,627,504
Total by registered mail	18,971	3,973,476	18,869	3,324,642
Aggregate	125,044	882,677,335	122,354	935,952,146

RECOINAGE IN THE FISCAL YEAR 1914.

The worn gold, silver, and minor coins withdrawn from Treasury offices and transferred to the mint for recoinage during the fiscal years 1913 and 1914 are set forth in detail in the subjoined table:

Denominations.	Fiscal year 1913.		Fiscal year 1914.	
	Face value.	Loss.	Face value.	Loss.
Double-eagles	$169,840.00	.....	$765,600.00	.....
Eagles	246,250.00	.....	1,269,420.00	.....
Half-eagles	491,300.00	.....	1,784,650.00	.....
Quarter-eagles	5,350.00	.....	13,285.00	.....
Three-dollar pieces	15.00	.....	33.00	.....
One-dollar pieces	44.00	.....	57.00	.....
Total gold	912,799.00	$8,470.62	3,833,045.00	$7,789.30
Half-dollars	113,595.00	.....	255,433.00	.....
Quarter-dollars	147,146.25	.....	312,988.00	.....
Twenty-cent pieces	10.20	.....	193.00	.....
Dimes	145,878.70	.....	303,197.40	.....
Half-dimes	400.30	.....	727.20	.....
Three-cent pieces	44.55	.....	136.05	.....
Total silver	407,075.00	26,247.01	872,674.65	59,868.94
Minor coins	134,284.00	6,941.41	596,657.50	7,413.54
Aggregate	1,454,158.00	41,659.04	5,302,377.15	75,071.78

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Respectfully,

JOHN BURKE,
Treasurer.

Hon. WILLIAM G. MCADOO,
Secretary of the Treasury.

REPORT OF THE COMPTROLLER OF THE CURRENCY.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., December 7, 1914.

SIR: I have the honor to submit herewith, in accordance with the requirements of section 333 of the Revised Statutes of the United States, the fifty-second annual report of the operations of the Currency Bureau, covering the 12 months ended October 31, 1914.

* * * * * * *

INAUGURATION OF FEDERAL RESERVE SYSTEM.

The Federal reserve act, approved by President Wilson on December 23, 1913, is designed not only to cure weaknesses and defects of the currency system under which we have struggled, and sometimes staggered, in the past, as we have outgrown the conditions and passed beyond the circumstances which it was especially provided to meet, but to offer to the people of this country many new advantages and opportunities, while emancipating business from many evils, difficulties, and troubles with which it has been burdened and from which it has found no escape.

Among the principal direct benefits which the new act confers are these:

First, it supplies a circulating medium absolutely safe, which will command its face value in all parts of the country, and which is sufficiently elastic to meet readily the periodical demands for additional currency, incident to the movement of the crops, also responding promptly to increased industrial or commercial activity, while retiring from use automatically when the legitimate demands for it have ceased. Under the operation of this law such financial and commercial crises, or "panics," as this country experienced in 1873, in 1893, and again in 1907, with their attendant misfortunes and prostrations, seem to be mathematically impossible.

Second, it provides effectually and scientifically for the mobilization of bank reserves in the 12 Federal reserve districts, where these funds are not only available for the member banks of each respective district, but, under wise and well-guarded provisions of the law, the surplus moneys of any one district become available for the legitimate needs of any other districts which may require them.

Third, it eliminates the indirect tax of many millions of dollars annually upon the commerce and industry of the country, heretofore imposed in the shape of collection or "exchange" charges on checks, and inaugurates a system of clearances by which it is expected that every check or draft on any member bank in any one of the 12 Federal reserve districts can be collected ultimately free of the exchange charges heretofore exacted and may be charged on the books of the Federal reserve bank to the account of the bank upon which drawn, in most cases, within 24 hours or less after it is deposited with a member bank. This provision renders available many hundreds of millions of dollars heretofore carried in transit in the mails in expensive and tedious processes of collection, sometimes absolutely useless during weeks when much needed, held in transit moving from point to point.

Fourth, it furnishes a discount system by which every well-managed member bank may have the opportunity of converting into money by rediscounting, to such extent as may be necessary or desirable all commercial paper having not more than three months to run which it may have taken in the ordinary course of its business. The new law removes, so far as borrowing money from a Federal reserve bank is concerned, the limitation which prevented a national bank from borrowing an amount in excess of 100 per cent of its capital. The significance of this release may be appreciated when it is realized that some national banks have deposits amounting to 10 times their capital or more. The ability to borrow only an amount equal to capital would be wholly insufficient, in many cases, to enable banks to meet the demands which arise from unexpected runs, or in financial crises, or other extraordinary demands.

It removes from prosperous and well-managed banks penalties hitherto imposed on their very prosperity and success.

It relieves the well managed bank from the limitations of original capital invested and gives it the legitimate advantages of its own enterprise and the business it has built up and actually does.

Fifth, by making it possible for any well-managed bank to convert its assets readily into cash to meet unexpected contingencies or runs, the necessity for the larger reserves heretofore required ceases. It is estimated that by this reduction in the reserve requirements alone more than four hundred millions of dollars of money or credits heretofore held in reserves and inert, will become available for commercial purposes and the legitimate demands of business.

Sixth, the new law also makes it possible for national banks to lend money on improved, unencumbered farm property, thus enabling farmers, the most numerous and in many respects most important portion of our population to participate directly in the beneficent provisions of the new law.

Seventh, the new law provides that national banks may establish branches in foreign countries, these branches to be under the jurisdiction and subject to the rules, regulations, and examinations of the comptroller's office. These branch banks should be material aids in building up our foreign commerce.

Eighth, the former system of paying national bank examiners by fee is abolished; and the examinations of all member banks, both National and State, are now placed upon a basis which necessarily will insure a thoroughness and efficiency hitherto impossible.

Under the provisions of the new law the failure of efficiently and honestly managed banks is practically impossible and a closer watch can be kept on member banks. Opportunities for a more thorough and complete examination are furnished for each particular bank. These facts should reduce the dangers from dishonest and incompetent management to a minimum. It is hoped that national-bank failures can hereafter be virtually eliminated.

Ninth, the establishment of a system of bank acceptances and an open market for commercial paper, which, it is believed, will aid and facilitate this country in obtaining a larger share of international trade and of the world's commerce.

* * * * * * *

NATIONAL BANK FAILURES AND SUSPENSIONS—1914 COMPARED WITH 1893 AND 1907.

A comparison of the failures and suspensions of national banks during the past year with failures and suspensions in the panic periods of 1893 and 1907 may be interesting at this time.

The figures show that for the 12 months ended October 31, 1914, 26 national banks, with aggregate capital stock of $2,510,000, failed or suspended payment. The total liabilities of these banks (in the case of receiverships claims proved) amounted to $14,177,408. In the case of 6 recent failures, the figures of total liabilities, less capital, surplus, and undivided profits, are used in lieu of the "claims proved," no report of the latter having yet been received as to these 6 banks.

For the 12 months ending October 31, 1893, 158 national banks suspended, with capital of $30,350,000. Sixty-five banks, with total capital stock of $10,935,000, were insolvent and required the appointment of receivers; 86, with capital stock aggregating $18,205,000, were able to resume business; and 7, with capital stock of $1,210,000, were placed in charge of examiners in the expectation of resumption. The total liabilities of failed and suspended banks for the period mentioned was $83,042,347—in the case of failed banks, "claims proved" being considered as "total liabilities."

During the six-months period from October 1, 1907, to April 1, 1908, there were 22 national bank failures and suspensions, and the total liabilities (in the case of receiverships these being "claims proved") were $32,443,978; the total capital stock, $6,540,000. Of these banks, however, 7, with capital stock of $1,440,000 and liabilities of $22,124,662, resumed business.

It is worthy of special note that in the crisis of 1914, unlike the panics of 1893 and 1907, there was no suspension of currency payments on the part of the banks of this country, either in the large cities or in the smaller towns. In the panics of 1893 and 1907, in addition to clearing-house checks, many artificial methods of supplying a temporary currency were resorted to, while actual currency commanded a premium of from 3 per cent to 5 per cent—$100 in currency costing anywhere from $103 to $105, or more, in certified bank checks.

In 1914 the banks of the country were enabled, as a result of the instant and active cooperation of the Treasury Department, and through the operations of the act of May 30, 1908, as amended by the Federal Reserve Act, to supply actual currency, even during the period of greatest stringency, to their customers and correspondents, both over the counter and in response to requests for shipments. Whenever any indications were seen of an attempt or disposition on the part of any solvent bank or banks to withhold or suspend cash payments, the subject was taken up immediately by the Treasury Department, and payments of currency over the counter and shipments by the banks upon demand, from the centers to the near-by and far-off districts, and vice versa, have been maintained practically without interruption throughout this crisis.

* * * * * * *

CONDITION OF NATIONAL BANKS.

Under the law every national bank is required to make to the Comptroller not less than five reports each year, the reports to be in the form required by him and to exhibit in detail the assets and liabilities at the close of business on any past day by him specified.

In the twelve months covered by this report the earliest call by the Comptroller for returns from the banks was for October 21, 1913, followed by calls on January 13, March 4, June 30, and September 12, 1914. The condition of the banks with respect to each item of assets and liabilities at the dates of the periodical reports is shown in the table following.

Abstract of reports of condition of national banks from Oct. 21, 1913, to Sept. 12, 1914.

	Oct. 21, 1913—7,509 banks.	Jan. 13, 1914—7,493 banks.	Mar. 4, 1914—7,493 banks.	June 30, 1914—7,525 banks.	Sept. 12, 1914—7,538 banks.
ASSETS.					
Loans and discounts	$6,260,877,853.65	$6,175,404,961.53	$6,357,535,898.41	$6,430,069,214.47	$6,400,767,386.01
Overdrafts	27,460,769.67	21,838,399.48	21,335,628.89	15,485,641.14	17,142,637.16
U. S. bonds to secure circulation	737,480,840.00	736,600,910.00	733,564,382.00	734,897,425.81	736,685,849.72
Miscellaneous securities to secure circulation					392,663,116.72
U. S. bonds to secure U. S. deposits [1]	50,610,110.00	50,342,980.00	50,285,032.00	48,405,573.20	48,311,495.63
Other bonds to secure U. S. deposits	68,116,426.65	67,878,130.32	59,332,288.52	56,781,241.53	72,372,019.72
U. S. bonds on hand	6,199,710.00	5,112,910.00	5,476,718.00	[2] 11,955,298.58	6,423,780.87
Premiums on U. S. bonds	6,234,163.76	5,071,681.95	4,859,610.88	4,058,150.56	3,921,759.63
Bonds, securities, etc.	1,038,971,129.90	1,020,494,711.08	1,027,326,660.58	1,015,981,897.19	941,723,232.07
Stocks				42,809,011.19	42,032,851.94
Banking house, furniture, and fixtures	253,914,198.10	256,995,908.53	257,520,014.18	268,042,022.83	269,661,511.46
Other real estate owned	32,146,682.71	32,625,254.39	33,981,161.55	39,042,865.78	40,787,222.13
Due from national banks (not reserve agents)	505,499,205.09	482,036,437.64	513,728,136.83	421,754,572.17	410,376,729.94
Due from State banks and bankers	242,700,858.10	251,113,818.01	230,776,241.19	191,921,682.48	191,968,078.31
Due from approved reserve agents	791,671,167.47	802,786,844.06	881,702,559.68	777,498,700.76	673,958,901.01
Checks and other cash items	34,817,257.76	37,244,268.10	40,184,406.94	48,559,951.65	34,204,681.42
Exchanges for clearing house	258,498,756.09	263,295,798.41	282,343,800.66	309,321,303.07	118,588,403.08
Bills of other national banks	47,905,779.00	51,797,179.00	48,177,045.00	49,659,728.00	73,546,639.00
Fractional currency, nickels, and cents	3,868,383.29	3,959,837.04	3,964,617.42	3,828,925.17	3,591,586.83
Gold coin	144,416,547.34	153,385,903.75	153,438,254.95	149,295,329.20	156,234,233.72
Gold treasury certificates	319,683,820.00	359,960,300.00	389,282,220.00	376,603,740.00	346,825,050.00
Clearing House certificates (sec. 5192)	87,914,500.00	79,413,000.00	87,932,500.00	99,964,000.00	84,325,500.00
Silver dollars	12,557,478.00	15,180,421.00	14,536,443.00	14,293,420.00	12,692,441.00
Silver Treasury certificates	126,778,007.00	148,197,091.00	125,321,089.00	129,823,652.00	126,444,951.00
Silver fractional coin	19,543,986.06	24,353,493.81	22,183,588.19	21,604,425.41	19,676,741.71
Specie	710,894,338.40	780,490,209.56	792,694,095.14	791,584,566.61	746,198,917.43
Legal-tender notes	178,738,116.00	201,429,211.00	175,373,021.00	177,490,396.00	157,508,431.00
Five per cent redemption fund	35,808,926.78	35,371,589.64	35,402,097.42	35,509,539.22	44,323,990.14
Due from Treasurer U. S.	9,143,489.87	14,464,098.96	8,933,843.97	7,533,063.14	3,952,273.52
Clearing house loan certificates					52,818,000.00
Total	11,301,558,162.29	11,296,355,138.70	11,564,497,260.26	11,482,190,770.60	11,483,529,494.68

[1] Includes D. C. and island possession bonds.
[2] Includes $5,310,500 United States bonds loaned by New York City banks.

Abstract of reports of condition of national banks from Oct. 21, 1913, to Sept. 12, 1914—Continued.

	Oct. 21, 1913—7,509 banks.	Jan. 13, 1914—7,493 banks.	Mar. 4, 1914—7,493 banks.	June 30, 1914—7,525 banks.	Sept. 12, 1914—7,538 banks.
LIABILITIES.					
Capital stock paid in	$1,059,402,908.00	$1,057,676,054.00	$1,056,482,120.00	$1,058,192,335.00	$1,060,332,072.50
Surplus fund	726,302,377.76	732,442,759.67	731,273,096.28	723,338,266.50	724,138,519.46
Undivided profits, less expenses and taxes	281,275,808.12	259,664,337.83	272,703,334.17	268,184,165.18	287,343,679.28
National-bank notes outstanding	727,078,847.00	725,326,161.50	720,640,334.00	722,554,719.00	918,270,315.50
State-bank notes outstanding	27,701.00	27,698.00	27,698.00	27,693.00	27,693.00
Due to other national banks	1,051,175,217.60	1,061,260,991.82	1,201,467,775.86	1,017,820,892.71	904,331,571.01
Due to State banks and bankers	578,216,313.61	561,006,715.14	607,331,628.52	515,742,709.18	521,901,865.51
Due to trust companies and savings banks	499,378,357.12	544,604,116.11	619,704,372.92	609,678,412.65	483,794,109.17
Due to approved reserve agents	52,266,359.85	43,630,770.30	43,937,637.70	42,660,616.15	39,871,080.85
Dividends unpaid	1,227,068.51	4,264,129.89	1,337,166.00	18,660,220.51	1,250,322.87
Individual deposits subject to check	4,965,878,784.33	4,962,293,546.17	4,984,444,112.97	5,077,626,327.12	5,043,531,491.00
Demand certificates of deposit	413,405,388.01	408,036,550.09	404,856,850.43	370,898,706.99	361,269,441.53
Time certificates of deposit	534,399,108.18	549,434,927.39	559,151,872.78	.....	.....
Time certificates payable within 30 days	.....	.....	.....	132,997,726.56	130,653,944.78
Time certificates payable after 30 days	.....	.....	.....	519,220,516.33	539,433,625.17
Certified checks	67,115,364.72	78,798,308.74	72,684,436.71	82,264,021.89	21,908,933.60
Cashier's checks outstanding	70,890,442.45	73,501,420.21	90,191,184.27	85,685,130.83	42,283,843.69
Individual deposits	6,051,689,087.69	6,072,064,752.60	6,111,328,457.16	6,268,692,429.72	6,139,081,279.77
United States deposits	84,322,605.67	76,815,818.69	58,609,788.39	66,654,582.55	69,712,446.13
Postal-savings deposits	21,488,904.41	22,243,089.21	23,568,198.75	23,841,062.65	27,626,325.06
Deposits of U. S. disbursing officers	6,247,715.84	7,482,388.89	7,773,084.98	.....	.....
Bonds borrowed	50,027,463.07	46,673,867.97	47,123,180.09	.....	.....
U. S. bonds borrowed	.....	.....	.....	34,461,340.00	34,407,245.99
Other bonds borrowed	.....	.....	.....	9,025,690.49	53,862,878.42
Notes and bills rediscounted	16,516,347.34	11,701,475.41	8,772,534.57	13,436,527.21	25,981,950.00
Bills payable	83,943,695.90	60,905,190.66	45,372,735.52	77,775,401.26	124,089,118.73
Reserved for taxes	8,593,438.49	6,155,905.52	4,701,635.23	7,926,918.00	8,284,933.48
Clearing house loan certificates (net balance)	.....	.....	.....	.....	52,779,000.00
Liabilities other than those above stated	2,377,945.31	2,408,915.49	2,342,482.12	3,516,788.84	6,443,087.95
Total	11,301,558,162.29	11,296,355,138.70	11,564,497,260.26	11,482,190,770.60	11,483,529,494.68

As will be noted by reference to the foregoing abstract, there was a decrease of 16 in the number of reporting banks between October, 1913, and January, 1914; that is, a reduction from 7,509 to 7,493. No change in number was shown by March 4, but there was an increase of 32 from that date to June 30, the number then reporting being 7,525. At the date of the last call, September 12, the reporting banks numbered 7,538—an increase over the prior call of 13 and a net increase for the year in question of 29.

The volume of business of the banks, as measured by their aggregate assets, reached $11,301,558,162 on October 21, 1913, declined to the extent of $5,203,023 by January, 1914, but rose to $11,564,497,260 on March 4—the highest point of the year. From that date to June 30 the decline was to $11,482,190,770—a decrease of $82,306,489. There was a slight upward turn by September 12 when the amount was $11,483,529,494.

Loans and discounts represent approximately 55 per cent of the banks' assets as shown by the reports on the five dates in question. The period of liquidation following the harvest of 1913 is indicated in the reduction of loans from $6,260,877,853 on October 21, 1913, to $6,175,404,961 on January 13, a reduction of $85,472,892. By March 4 the loans had increased to $6,357,735,898, and by June 30 reached $6,430,069,214, the highest point of the year. By reason of the deposit with national currency associations, as security for additional circulation under the act of May 30, 1908, of commercial paper and other securities and the combination of these assets in the returns from the banks, and corresponding reductions in loans and discounts, bonds and other investments, the condition of the loan account on September 12 is not fully shown in the abstract; but from an examination of the schedules of securities accompanying applications for additional currency it would appear that bills receivable—that is, commercial paper and other notes—amounted to not less than 50 per cent of the receivables and other securities deposited for the purpose in question. Upon that assumption the loans and discounts of the banks on September 12 amounted to not less than $6,600,000,000.

The limited extent to which the objectionable custom of permitting customers to overdraw their accounts prevails is a source of satisfaction, as will be noted by the June 30 returns, when, out of a total of $6,445,554,855 advances to borrowers, only $15,485,641 was represented by accommodations of this character. The September returns indicate a similar condition, approximately.

United States bonds deposited as security for circulation were greater in amount on October 21, 1913, than at the date of any subsequent return in the year following, namely, $737,480,840. On March 4 last there was a reduction to $733,564,382—the low point; but there was an increase by September 12 to $736,685,849, though a net decrease for the year of some $795,000.

The issuance of national-bank circulation under authority of the act of 1908 did not begin until August, 1914, hence the only report showing deposits of bills receivable and other securities to secure circulation was that of September 12, when the securities so deposited aggregated $392,663,116.

Government funds placed with the banks for crop moving and other purposes are secured by United States bonds and other securities, and the amount so held by the department ranged from a minimum of $105,186,815 on June 30 to a maximum of $120,683,515 on September 12, the latter amount only exceeding the amount held on October 21, 1913, by $1,956,978.

The premium account on United States bonds owned by the banks is being rapidly charged off, the figures in the abstract showing a reduction from $6,234,163 on October 21, 1913, to $3,921,760 on September 12 last. In 1900, when the circulation privilege was made more valuable by the reduction of the tax on circulation, and the authority to obtain circulation to an amount equaling the par value of the bonds deposited, the banks' investments in United States bonds aggregated $418,000,000, and the premium account at the maximum in that year was $19,892,000.

INVESTMENT SECURITIES OWNED BY NATIONAL BANKS.

Second in importance to the banks' loans and discounts are the investments in miscellaneous bonds and other securities, the maximum amount—$1,058,790,908—being held in June last against a minimum, prior to September 12, 1914, of $1,020,494,711 in January last. These amounts are exclusive of bonds deposited as security for circulation and public deposits hereinbefore mentioned.

Investments in bank premises, furniture, and fixtures, show a normal increase, rising from $253,914,198 in October, 1913, to $269,661,511 on September 12, 1914. Other real estate owned, generally acquired in the satisfaction of debt, also shows an increase, rising from $32,146,682 at the beginning of the year to $40,787,222 at the close.

Funds due from reserve agents and other banks, exchanges, cash items, etc., are considered elsewhere in connection with reserves. When the fact is recalled that national banks hold in their vaults nearly one-quarter of the country's supply of currency, it is of interest to note the amount and character of the holdings, particularly in respect of amount of gold, silver, and legal tender.

SPECIE HELD BY NATIONAL BANKS.

Specie—that is, gold and silver, including gold and silver certificates—increased from $710,894,338 in October, 1913, to a maximum for the year of $792,694,095 on March 4 last. There was a decrease by the June call to $791,584,566, and by September 12 to $746,198,917. The holdings of gold were at the minimum in October, 1913—$552,014,867—and at the maximum on March last, when the amount was $630,652,975. From this high point to September last there was a loss in holdings of gold of $43,268,192, the amount held on the latter date being $587,384,783. Foreign exports and deposits for the redemption of additional circulation, account, in the main, for the depletion of the banks' stock of gold. By reference to the abstract it will be noted that, on an average, approximately 77 per cent of the banks' holdings of specie is in gold.

OTHER MONEY HOLDINGS.

Other lawful money held by the banks consisted of legal tenders, and the maximum amount held during the year was in January last and reported at $201,429,211. By September 12 the amount had been reduced to the minimum for the year, namely, $157,508,431. In addition to this supply of lawful money, the banks held in their cash nearly 7 per cent of national bank circulation. Prior to the September call the holdings of this form of currency averaged approximately $49,000,000, while on September 12 the per cent rose to 8 and the amount slightly in excess of $73,500,000. Prior to September 12 the 5 per cent redemption account with the Treasurer of the United States averaged $35,500,000, based upon returns for the four preceding calls, but on September 12 had increased to $44,323,990. The remaining asset of interest to be noted, as shown by the abstract is the clearing house loan-certificate account, which appeared for the first time in the returns for September, amounting on that date to $52,818,000.

LOANS AND DISCOUNTS OF NATIONAL BANKS.

In the schedule accompanying each report from a national bank is shown the character and amount of each class of paper. Demand paper is divided into two classes—first, that with one or more individual or firm names, and, second, that secured by stocks, bonds, or other personal securities. Time paper is single name, two or more individual or firm name, and paper collateralled by stocks, bonds, and other personal securities. On an average, practically one-quarter of the paper held by the banks is demand, and, as will be noted by reference to the table following, there are but slight fluctuations in the percentages of each class of paper from year to year. The table in question is based on returns for June, 1912, 1913, and 1914. An increase in the volume of loans is shown during this period from $5,953,904,431 to $6,430,069,215.

In the table following are shown the changes in amounts and percentages of the various classes of paper held by all banks in June, 1912, 1913, and 1914.

Class.	June 14, 1912.		June 4, 1913.		June 30, 1914.	
	Amount.	Per cent.	Amount.	Per cent.	Amount.	Per cent.
On demand, paper with one or more individual or firm names	$571,345,681	9.6	$603,735,269	9.8	$616,911,197	9.6
On demand, secured by stocks, bonds, and other personal securities	985,421,576	16.6	980,989,427	16.0	1,036,976,740	16.1
On time, paper with two or more individual or firm names	1,973,453,245	33.1	2,032,569,547	33.1	2,066,659,475	32.1
On time, single-name paper (one person or firm) without other security	1,198,505,689	20.1	1,261,484,534	20.5	1,336,693,365	20.8
On time, secured by stocks, bonds, and other personal securities, or on mortgages or other real-estate security	1,225,178,240	20.6	1,264,249,356	20.6	1,372,828,438	21.4
Total	5,953,904,431	100.0	6,143,028,133	100.0	6,430,069,215	100.0

The amount, distribution, and proportion of loans and discounts in the banks of New York, in all central reserve cities, other reserve cities, and in country banks are shown in the accompanying table:

Banks in—	Loans.					
	June 14, 1912.		June 4, 1913.		June 30, 1914.	
	Amount.	Per cent.	Amount.	Per cent.	Amount.	Per cent.
New York	$959,068,755	16.1	$886,966,804	14.4	$1,061,095,803	16.5
New York Chicago St. Louis	1,409,950,769	23.6	1,315,735,177	21.4	1,499,520,221	23.3
Other reserve cities	1,580,419,537	26.5	1,640,317,608	26.7	1,698,469,147	26.4
All reserve cities	2,990,370,306	50.1	2,956,052,785	48.1	3,197,989,368	49.7
Country	2,963,534,125	49.9	3,186,975,348	51.9	3,232,079,847	50.3
Total	5,953,904,431	100.0	6,143,028,133	100.0	6,430,069,215	100.0

As approximately one-sixth of the loans of all national banks are made by banks located in the city of New York, the following statement is of interest as showing the amount and character of loans by banks in that city on comparable dates in 1909 and 1910, and also in 1911 to 1914.

Loans and discounts.	Sept. 1, 1909, 38 banks.	Sept. 1, 1910, 39 banks.	June 7, 1911, 40 banks.	June 14, 1912, 37 banks.	June 4, 1913, 36 banks.	June 30, 1914, 33 banks.
On demand, paper with one or more individual or firm names	$7,708,853	$9,948,094	$9,356,484	$17,796,847	$13,486,717	$12,952,708
On demand, secured by stocks, bonds, and other personal securities[1]	385,430,495	328,145,065	331,736,688	326,897,301	302,904,035	372,091,296
On time, paper with two or more individual or firm names	145,989,671	176,608,890	177,331,562	171,791,524	178,030,288	192,530,756
On time, single-name paper (one person or firm), without other securities	163,098,915	170,708,005	197,030,419	219,172,889	189,754,147	228,852,438
On time, secured by stocks, bonds, and other personal securities, or on real-estate mortgages or other liens on realty[1]	223,425,689	188,470,806	188,111,280	223,410,194	202,791,617	254,668,605
Total	925,653,623	873,880,860	903,566,433	959,068,755	886,966,804	1,061,095,803

[1] Including notes secured by deposit of commercial paper, chattel mortgages, real estate paper, etc.

LOANS MATURING IN 90 DAYS OR LESS.

In addition to the usual information in relation to their loans, national banks segregate and report the amount maturing in 90 days or less. On June 30, last, of the total volume of loans stated at $6,430,069,215, paper running for 90 days or less aggregated $3,672,091,097, or 57 per cent, and of this short time paper 21 per cent was on demand.

In the following table is shown the amount of demand and time paper of each class maturing in 90 days from June 30, together with the aggregate amount maturing in over 90 days:

Classes.	Loans maturing in 90 days or less.
A. On demand (one or more names)	$302,588,136
B. On demand, secured by stocks, bonds, etc	488,172,385
C. On time (two or more names)	1,345,980,827
D. On time, single name, without other security	797,103,744
E. On time, secured by stocks, bonds, etc F. Secured by real-estate mortgages, etc	738,246,005
Total	3,672,091,097
Maturing in over 90 days	2,757,978,118
Total	6,430,069,215

In connection with the foregoing general statement, and for the purposes of comparison, there is submitted herewith similar information based upon the June returns from the banks in each of the central reserve cities, other reserve cities, elsewhere in the country, and in the aggregate:

Classes.	New York.	Chicago.	St. Louis.	Central reserve cities.
A. On demand (one or more names)	$7,093,711	$6,467,828	$5,464,164	$19,025,703
B. On demand, secured by stocks, bonds, etc	160,230,497	19,661,566	10,767,342	190,659,405
C. On time (two or more names)	122,633,726	70,666,882	20,241,240	213,541,848
D. On time, single name, without other security	127,345,201	53,618,560	9,301,336	190,265,097
E. On time, secured by stocks, bonds, etc F. Secured by real-estate mortgages, etc	104,383,646	44,263,653	19,120,607	167,767,906
Maturing in 90 days or less	521,686,781	194,678,489	64,894,689	781,259,959
Maturing in over 90 days	539,409,022	140,983,468	37,867,772	718,260,262
Total	1,061,095,803	335,661,957	102,762,461	1,499,520,221

Classes.	Other reserve cities.	Country, elsewhere.	Total.
A. On demand (one or more names)	$98,492,102	$185,070,331	$302,588,136
B. On demand, secured by stocks, bonds, etc	147,271,188	150,241,792	488,172,385
C. On time (two or more names)	329,606,858	803,402,121	1,345,980,827
D. On time, single name, without other security	251,415,085	355,123,562	797,103,744
E. On time, secured by stocks, bonds, etc F. Secured by real-estate mortgages, etc	224,492,513	345,985,586	738,246,005
Maturing in 90 days or less	1,050,707,746	1,840,123,392	3,672,091,097
Maturing in over 90 days	647,761,401	1,391,956,455	2,757,978,118
Total	1,698,469,147	3,232,079,847	6,430,069,215

LIABILITIES OF NATIONAL BANKS.

With the reduction in number of banks hereinbefore mentioned there was a reduction in capital stock from $1,059,4 2,9 8 in October, 1913, to $1,056,482,120 in March last, but an increase to $1,0 6 ,332,-072 in September. The surplus fund was at the maximum on January 13– $732,442,759—and at the minimum on June 30 when it amounted to $723,338,266. On September 12 the fund had increased to $724,138,519. The undivided profit account, amounting to $281,275,8 8 in October, 1913, was reduced to $259,664,338 on January 13 by reason, mainly, of the payment of dividends at the close of the year, rose to $272,7 3,334 in March, declined to $268,-184,165 in June, but rose to $287,343,679 on September 12. This was the maximum amount of this account for the year in question.

National bank notes and circulation were at the maximum prior to the September, 1914, call on October 21, 1913, amounting on that date to $727,078,847. The low point was reached on March 4, namely, $720,640,334. The issue of circulation from early in August increased the amount outstanding on September 12 to $918,270,315.

INDIVIDUAL DEPOSITS.

Individual deposits increased from $6,051,689,0 7 at the beginning of the year to a maximum of $6,268,692,429 on June 3 , but there was a reduction by September 12 to $6,139,0 1,279.

Government funds on deposit with the banks decreased from $90,570,32 in October, 1913, to $66,654,582 on June 30 last, with an increase, however, by September 12 to $69,712,446. The development of the postal savings system is shown, in a measure, by the steady increase of postal savings deposits from $21,488,9 4 in October, 1913, to $27,626,525 on September 12, 1914.

BORROWED MONEY.

Rediscounts and bills payable amounted to $100,460,043 in October, 1913, but were reduced nearly one-half by March last, or to $54 ,145,270. By June 30 these liabilities had increased to $91,211,928, and on September 12 reached $15 ,0 1,0 8. The net liability of the banks on clearing house loan certificates, shown on the September 12 statement, was $52,779,000.

RESERVES OF NATIONAL BANKS UNDER NEW SYSTEM.

With the beginning of business of the Federal reserve banks the reserve requirements of national banks materially change, and also, in a measure, the deposit liabilities by reason of the probable transfer of

Government deposits to the Federal reserve banks and the disallowance of offsets heretofore permitted in computing the volume of net deposits upon which reserve is required. The percentage of reserve on demand deposits will be reduced from 25 to 18 for central reserve city banks, from 25 to 15 for other reserve city banks, and from 15 to 12 for all other classes of banks, and on time deposits to 5 per cent for all banks. As November 16 was fixed as the date of beginning of business of the Federal reserve banks, the former percentages and methods of computing reserves terminated, so far as the regular reports of condition to the comptroller are concerned, with the call for October 31, 1914.

By reference to the periodical abstracts of reports from the banks for the year ended with the report made on September 12, it will be noted that the reserves have been well maintained and notwithstanding the extraordinary conditions with which the country was confronted beginning in August last, the returns for September 12, while below normal, showed average reserves materially in excess of those required by the Federal reserve act.

DEPOSITS SUBJECT TO RESERVE REQUIREMENTS.

On October 21, 1913, the date of the first report for the current report year, net deposits subject to reserve requirements were $7,172,162,887, against which a reserve was held of $1,473,487,722, or 20.54 per cent. On deposits aggregating $1,541,018,919 the central reserve city banks held an average reserve of 24.71 per cent, the New York banks holding 25.37 per cent, Chicago 23.53 per cent, and St. Louis 21.85 per cent. The deposits of all other reserve city banks aggregated $1,915,160,396, with an average reserve of 24.98 per cent, ranging from a minimum of 16.54 per cent in Dallas to a maximum of 32.27 per cent in Galveston. The deposits of the banks other than those in the reserve cities totaled $3,715,983,571, with an average reserve of 16.53 per cent, the average held by these banks in each State exceeding the minimum reserve required.

Deposits subject to reserve reached the maximum during the year on March 4 last, when they aggregated $7,504,577,203, the average reserve being 20.62 per cent. The New York and Chicago banks' reserves were in excess of the requirement, while those in St. Louis were deficient by only 1.61 per cent. The average reserve on this date for all other reserve city banks was 25.17 per cent, and in no city did the reserve fall below 20 per cent. In banks located elsewhere than in reserve cities the average was 16.10 per cent, and in but four States—namely, North and South Carolina, Minnesota, and Iowa—did the average fall below the legal requirement. The deficiency in those States averaged less than 1 per cent. The June 30 returns show a decrease in deposits to $7,495,149,220, with an average reserve of 20.63 per cent. On this date the reserve of the New York City banks was in excess of the requirement, and that of the Chicago banks was 23.47 per cent and St. Louis 21.96 per cent. The reserve of all other reserve cities averaged 25.04 per cent, and only in the case of the banks in one city was the average less than 20 per cent. The deposits in the so-called country banks aggregated $3,687,964,624, while the reserve was 16.27 per cent. In every State the average reserve was in excess of the legal requirement.

As heretofore stated, the extraordinary conditions existing during the summer were reflected in the returns for September 12, on which date the net deposits were $7,292,908,772, and the average reserve held 19.61 per cent. The deposits in the three central reserve cities were $1,702,369,197, and the average reserve 22.35 per cent. The average reserve held by all the New York banks was but 21.81 per cent, St. Louis 19.36 per cent, while the Chicago banks held a slight excess, their reserve being 25.13 per cent. The deposits of all other reserve city banks totaled $1,965,381,098, and the average reserve was 23.14 per cent. Notwithstanding this reduced average, the banks in only four cities held a reserve of less than 20 per cent, the lowest being 17.68 per cent. The deposits of the banks elsewhere in the country totaled $3,625,158,476, with an average reserve of 16.42 per cent. In only two States was the average less than 15 per cent, in one of which the deficiency was but 0.36 of 1 per cent and in the other 1.32 per cent.

The condition of the banks with respect to their ability to meet their demand obligations is better than as shown by the amount of reserve held, by reason of the volume of credits with reserve agents in excess of the amount specifically authorized by law to be counted as reserve. This fact is shown in the following table, wherein is stated the percentage of legal reserve as well as the percentage available at date of each report for the year for each and all classes of banks.

Class of banks.	Oct. 21, 1913.		Jan. 13, 1914.		Mar. 4, 1914.		June 30, 1914.		Sept. 12, 1914.	
	Legal reserve.	Available reserve.	Legal reserve.	Available reserve.	Legal reserve.	Available reserve.	Legal reserve.	Available reserve.	Legal reserve.	Available reserve.
	Per ct.	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*
Central reserve city banks	24.71	24.71	27.40	27.40	25.16	25.16	24.63	24.63	22.35	22.35
Other reserve city banks	24.98	26.54	26.62	29.08	25.17	28.96	25.04	26.54	23.14	23.39
Country banks	16.53	22.28	16.85	22.26	16.10	22.15	16.27	20.89	16.42	25.03
All banks	20.54	23.94	21.74	25.19	20.62	24.65	20.63	23.30	19.61	21.63

Supplementing the foregoing, there is submitted herewith a table showing for each call from October 21, 191 , to September 12, 1914, the amount and per cent of reserves held and excess or deficiency of reserve of banks in the central reserve cities, other reserve cities, and banks located elsewhere in each geographical division.

Date of call.	Amount of reserve held.	Per cent reserve held.	Amount of excess reserve.
RESERVE CITIES.			
Central reserve cities:			
Oct. 21, 1913	$380,753,898	24.71	[1] $4,500,832
Jan. 13, 1914	433,142,680	27.40	37,920,303
Mar. 4, 1914	446,200,875	25.16	2,796,691
June 30, 1914	438,329,964	24.63	[1] 6,670,831
Sept. 12, 1914	380,382,936	22.35	[1] 45,209,364
Other reserve cities:			
Oct. 21, 1913	478,414,747	24.98	[1] 375,352
Jan. 13, 1914	507,770,782	26.62	30,904,157
Mar. 4, 1914	495,832,773	25.17	3,296,043
June 30, 1914	507,665,294	25.04	869,941
Sept. 12, 1914	454,809,139	23.14	[1] 36,536,136
Total reserve cities:			
Oct. 21, 1913	859,168,645	24.86	[1] 4,876,184
Jan. 13, 1914	940,913,462	26.97	68,824,459
Mar. 4, 1914	942,033,649	25.16	6,092,735
June 30, 1914	945,995,258	24.85	5,800,891
Sept. 12, 1914	835,192,074	22.77	[1] 81,745,500

[1] Deficit.

Date of call.	Amount of reserve held.	Per cent reserve held.	Amount of excess reserve.
COUNTRY BANKS.			
New England States:			
Oct. 21, 1913	$57,099,140	16.62	$5,562,617
Jan. 13, 1914	57,947,481	16.80	6,194,808
Mar. 4, 1914	54,975,509	16.11	3,799,382
June 30, 1914	56,433,856	16.33	4,607,312
Sept. 12, 1914	55,757,314	16.35	4,602,467
Eastern States:			
Oct. 21, 1913	183,195,935	16.15	13,026,368
Jan. 13, 1914	186,841,366	16.44	16,316,597
Mar. 4, 1914	180,353,113	15.81	9,222,087
June 30, 1914	183,152,792	15.77	8,997,588
Sept. 12, 1914	184,162,584	15.95	10,951,751
Southern States:			
Oct. 21, 1913	106,614,076	16.97	12,364,171
Jan. 13, 1914	112,079,931	17.21	14,414,825
Mar. 4, 1914	105,168,449	16.38	8,841,595
June 30, 1914	94,573,056	16.76	9,924,874
Sept. 12, 1914	87,079,510	16.67	8,726,844
Middle Western States:			
Oct. 21, 1913	165,304,399	16.38	13,910,659
Jan. 13, 1914	169,994,591	16.70	7,330,635
Mar. 4, 1914	166,373,715	15.81	8,546,382
June 30, 1914	167,521,002	16.20	12,387,510
Sept. 12, 1914	167,061,334	16.33	13,606,109
Western States:			
Oct. 21, 1913	60,033,153	16.59	5,748,839
Jan. 13, 1914	60,442,522	17.05	7,278,090
Mar. 4, 1914	58,300,568	16.41	5,025,028
June 30, 1914	57,626,428	16.56	5,416,225
Sept. 12, 1914	59,052,045	16.79	6,289,697
Pacific States:			
Oct. 21, 1913	41,207,724	17.42	5,716,113
Jan 13, 1914	41,727,409	18.05	7,048,149
Mar. 4, 1914	39,664,302	17.44	5,541,889
June 30, 1914	40,063,267	17.20	5,131,511
Sept. 12, 1914	41,354,265	17.96	6,813,890
Hawaiian Islands:			
Oct. 21, 1913	864,651	47.70	592,775
Jan. 13, 1914	804,007	48.55	555,579
Mar. 4, 1914	723,070	41.20	459,826
June 30, 1914	816,967	42.35	527,655
Sept. 12, 1914	655,952	33.03	358,484
Total States:			
Oct. 21, 1913	614,319,077	16.53	56,921,542
Jan. 13, 1914	629,837,307	16.85	69,138,681
Mar. 4, 1914	605,558,727	16.10	41,436,695
June 30, 1914	600,187,370	16.27	46,992,677
Sept. 12, 1914	595,123,007	16.42	51,349,236
Total United States:			
Oct. 21, 1913	1,473,487,722	20.54	52,045,387
Jan. 13, 1914	1,570,750,770	21.74	137,963,141
Mar. 4, 1914	1,547,592,375	20.62	47,529,429
June 30, 1914	1,546,182,628	20.63	41,191,786
Sept. 12, 1914	1,430,315,082	19.61	[1] 30,396,263

[1] Deficit.

At the close of the year there were three central reserve cities and 49 other reserve cities, two having been designated in April last namely, Atlanta, Ga., and Richmond, Va.

COMPARISON OF RESERVE REQUIREMENTS UNDER THE NATIONAL BANK LAW AND THE FEDERAL RESERVE ACT.

The extent of the release of reserves as a result of the reduced percentages and the requirement of a reserve of but 5 per cent on time deposits is shown in the table following, based upon returns from the banks for September 12. Computations are first made based upon the requirements of the national-bank act, and, second, upon the Federal reserve act for banks in each of the three central reserve cities, in all other reserve cities, and for all banks not in reserve

cities. From the figures presented it appears that there will be a release of reserve of 28 per cent in central reserve cities, 41 per cent in other reserve cities, and nearly 26 per cent in banks located elsewhere than in reserve cities, or an average release of nearly 32 per cent. Taking the banks as a whole, the requirement of reserve under the old law was $1,460,711,345, whereas under the Federal reserve act the amount required was but $995,792,269; hence a release of $464,919,076, and thus a very material addition to the loaning power of the banks. The table in question follows.

Reserve required under the present law, reserve required under the new law, and amount of reserve released, based on the reports from national banks on Sept. 12, 1914.

New York City:		
Present reserve required—		
25 per cent on $1,253,595,435, total net deposits		$313,398,859
Reserve required under Federal reserve act—		
18 per cent on $1,249,255,152, demand deposits	$224,865,927	
5 per cent on $4,340,282, time deposits	217,014	
		225,082,941
Reserve released under new law—		
7 per cent on $1,249,255,152, demand deposits	87,447,861	
20 per cent on $4,340,282, time deposits	868,057	
		88,315,918
Chicago:		
Present reserve required—		
25 per cent on $348,302,125, total net deposits		87,075,531
Reserve required under Federal reserve act—		
18 per cent on $345,572,329, demand deposits	62,203,019	
5 per cent on $2,729,796, time deposits	136,490	
		62,339,509
Reserve released under new law—		
7 per cent on $345,572,329, demand deposits	24,190,063	
20 per cent on $2,729,796, time deposits	545,959	
		24,736,022
St. Louis:		
Present reserve required—		
25 per cent on $100,471,638, total net deposits		25,117,909
Reserve required under Federal reserve act—		
18 per cent on $94,248,718, demand deposits	16,964,769	
5 per cent on $6,222,920, time deposits	311,146	
		17,275,915
Reserve released under new law—		
7 per cent on $94,248,718, demand deposits	6,597,410	
20 per cent on $6,222,920, time deposits	1,244,584	
		7,841,994
Other reserve cities:		
Present reserve required—		
25 per cent on $1,965,381,098, total net deposits		491,345,275
Reserve required under Federal reserve act—		
15 per cent on $1,901,966,656, demand deposits	285,294,998	
5 per cent on $63,414,442, time deposits	3,170,722	
		288,465,720
Reserve released under new law—		
10 per cent on $1,901,966,656, demand deposits	190,196,666	
20 per cent on $63,414,442, time deposits	12,682,889	
		202,879,555
Country banks:		
Present reserve required—		
15 per cent on $3,625,158,476, total net deposits		543,773,771
Reserve required under the Federal reserve act—		
12 per cent on $3,162,432,291, demand deposits	379,491,875	
5 per cent on $462,726,185, time deposits	23,136,309	
		402,628,184

Country banks—Continued.		
Reserve released under new law—		
3 per cent on $3,162,432,291, demand deposits...	$94,872,968	
10 per cent on $462,726,185, time deposits.....	46,272,619	
		$141,145,587
Total United States:		
Reserve required under present law.....		1,460,711,345
Reserve required under new law.....	995,792,269	
Reserve released.....	464,919,076	
		1,460,711,345

* * * * * * *

INVESTMENT SECURITIES OF NATIONAL BANKS, CLASSIFIED.

Exclusive of the premium on United States bonds, the investment of national banks in United States bonds and other securities amounted on June 30 last to $1,910,830,447, an increase from $1,882,812,145 on June 4, 1913.

In the accompanying table are shown these various investments, as of the dates in question.

Class.	June 4, 1913.	June 30, 1914.
State, county, and municipal bonds	$175,345,382	$176,017,413
Railroad bonds	345,204,195	341,690,819
Other public service corporation bonds	197,459,668	218,215,471
All other bonds	220,120,541	227,604,987
Stocks (presumably taken for debt)	52,085,149	[1] 43,708,679
Warrants, claims, judgments, etc.	38,902,358	35,926,297
Various securities with the Treasury as security for public deposits	43,597,930	56,781,241
Foreign Government bonds	17,960,704	10,018,520
Other foreign bonds and securities	3,509,658	5,608,722
Total	1,094,185,585	1,115,572,149
United States bonds to secure circulation	735,226,870	734,897,425
United States, insular possessions, and District of Columbia bonds to secure United States deposits	47,061,690	48,405,573
United States bonds on hand	6,338,000	11,955,298
	788,626,560	795,258,296
Total bonds of all classes [2]	1,882,812,145	1,910,830,445

[1] Includes $899,668 erroneously shown on face of banks' reports as bonds, etc.
[2] Premium on United States bonds not included.

PERCENTAGE OF PRINCIPAL ITEMS OF ASSETS AND LIABILITIES OF NATIONAL BANKS.

In the accompanying table is shown the percentage of loans and discounts, United States bonds, lawful money, capital, surplus and profits, and individual deposits to the aggregate assets of the banks. These percentages are based on the reports from the banks at the fourth call of each year from 1905 to 1914, inclusive.

Items.	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914
	Per ct.	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*	*Per ct.*
Loans and discounts.	53.9	54.0	56.1	52.9	53.5	55.6	54.5	55.1	56.9	55.7
United States bonds.	7.4	7.8	7.9	7.9	7.6	7.5	7.4	7.1	7.3	6.8
Lawful money	8.9	7.8	8.4	9.6	9.5	8.9	8.6	8.1	8.3	7.9
Total	70.2	69.6	72.4	70.5	70.6	72.0	70.5	70.3	72.5	70.4
Capital	10.7	10.4	10.7	10.2	9.8	10.2	9.9	9.4	9.7	9.2
Surplus and profits	8.3	8.4	8.8	8.5	8.4	8.9	8.7	8.7	9.1	8.9
Individual deposits	51.1	52.4	51.5	50.4	52.3	52.4	52.9	53.8	53.0	53.5
Total	70.1	71.2	70.9	69.1	70.5	71.5	71.5	71.9	71.8	71.6

RELATION OF CAPITAL TO DEPOSITS, ETC., OF NATIONAL BANKS.

The proportion and variation from year to year of capital to individual deposits in national banks, capital to loans, to aggregate resources, capital and surplus and other profits to individual deposits, and lawful money held to individual deposits, are shown in the table following for the years 1911 to 1914, inclusive. An important point shown by the statement is that while the proportion of capital to individual deposits ranges from $1 to $5.35, at the low point in 1911, to $1 to $5.79 in 1914, the relation of the combined capital and surplus and other profits to deposits shows a slightly greater variation, ranging from $1 to $2.82 in 1913 to $1 to $2.96 in 1914.

The table in question follows:

Items.	1911	1912	Aug. 9, 1913.	Sept. 12, 1914.
Capital to individual deposits	$1.00 to $5.35	$1.00 to $5.63	$1.00 to $5.45	$1.00 to $5.79
Capital to loans	1.00 to 5.52	1.00 to 5.77	1.00 to 5.84	1.00 to 6.04
Capital to aggregate resources	1.00 to 10.12	1.00 to 10.43	1.00 to 10.30	1.00 to 10.83
Capital and surplus and other profits to individual deposits	1.00 to 2.84	1.00 to 2.96	1.00 to 2.82	1.00 to 2.96
Specie and legal tender to individual deposits	1.00 to 6.14	1.00 to 6.58	1.00 to 6.41	1.00 to 6.80

CHANGES IN LOANS, BONDS, CASH, AND DEPOSITS OF NATIONAL BANKS.

As supplementary to the general résumé of the condition of national banks as shown by their returns at date of each call during the year, there is submitted herewith a statement showing the principal assets and individual deposits of banks on each date, together with the averages for the year for each geographical division:

Changes in volume of principal assets and in deposits, by geographical divisions, 1913-14.

Divisions and dates.	Loans.	Bonds, etc.	Cash and cash items.	Individual deposits.
New England States:				
Oct. 21, 1913	$518,109,947	$168,028,055	$81,818,866	$519,369,028
Jan. 13, 1914	502,910,360	164,624,508	83,509,154	511,585,194
Mar. 4, 1914	508,621,767	169,529,628	75,353,011	501,129,427
June 30, 1914	524,245,522	173,918,390	87,196,710	527,298,707
Sept. 12, 1914	524,902,340	192,140,030	72,589,673	514,225,269
Average	515,757,987	173,648,122	80,093,482	514,721,555
Eastern States:				
Oct. 21, 1913	2,281,782,957	829,037,897	634,517,186	2,256,472,176
Jan. 13, 1914	2,282,161,267	812,735,253	696,624,901	2,262,122,101
Mar. 4, 1914	2,430,524,302	809,334,190	722,906,430	2,321,750,068
June 30, 1914	2,439,217,434	846,044,224	751,488,166	2,436,629,686
Sept. 12, 1914	[1] 2,404,111,196	1,021,884,692	536,139,377	2,342,022,047
Average	2,367,559,431	863,807,251	668,335,212	2,323,859,275
Southern States:				
Oct. 21, 1913	856,469,672	211,494,161	91,027,077	735,625,156
Jan. 13, 1914	836,666,136	208,964,281	96,643,070	756,355,548
Mar. 4, 1914	818,121,564	205,100,131	93,416,615	744,405,285
June 30, 1914	831,203,633	202,033,906	95,534,988	722,242,028
Sept. 12, 1914	[1] 831,119,268	243,069,520	91,608,085	686,267,378
Average	834,716,055	214,132,400	93,645,967	728,979,079
Middle Western States:				
Oct. 21, 1913	1,772,589,843	450,770,428	295,753,020	1,623,249,172
Jan. 13, 1914	1,725,101,991	452,555,733	328,228,980	1,630,637,640
Mar. 4, 1914	1,772,200,081	453,132,916	317,358,033	1,643,796,150

[1] Apparent decrease in loans due to deposits of commercial paper for additional circulation.

Changes in volume of principal assets and in deposits, by geographical divisions, 1913–14—Continued.

Divisions and dates.	Loans.	Bonds, etc.	Cash and cash items.	Individual deposits.
Middle Western States—Continued.				
June 30, 1914	$1,783,806,678	$449,789,602	$315,872,579	$1,675,521,613
Sept. 12, 1914	1,785,256,897	527,820,424	299,234,101	1,681,800,164
Average	1,767,791,098	466,817,821	310,289,342	1,651,000,947
Western States:				
Oct. 21, 1913	422,205,251	102,419,327	57,349,835	457,340,512
Jan. 13, 1914	419,701,646	102,041,432	57,858,354	452,192,517
Mar. 4, 1914	416,937,953	100,416,351	57,104,391	447,926,692
June 30, 1914	422,267,721	100,256,901	56,636,559	443,955,267
Sept. 12, 1914	424,191,132	103,088,893	56,776,098	443,385,225
Average	421,060,741	101,644,581	57,145,047	448,960,042
Pacific States:				
Oct. 21, 1913	435,460,577	144,878,746	73,485,934	457,742,900
Jan. 13, 1914	429,022,511	143,575,625	79,670,090	457,125,824
Mar. 4, 1914	430,723,314	142,376,750	76,008,267	450,564,432
June 30, 1914	443,056,752	141,862,102	72,960,757	461,132,948
Sept. 12, 1914	446,593,797	155,137,096	76,781,131	469,417,073
Average	436,971,390	145,556,664	75,781,235	459,196,635
Island possessions:				
Oct. 21, 1913	1,720,374	986,758	770,703	1,890,143
Jan. 13, 1914	1,679,447	984,480	681,125	1,745,627
Mar. 4, 1914	1,742,544	984,700	590,234	1,756,402
June 30, 1914	1,757,114	983,460	755,113	1,912,179
Sept. 12, 1914	1,735,392	992,952	510,014	1,964,123
Average	1,726,974	986,470	661,437	1,853,682

In the following table the amount of loans, bonds, cash, and individual deposits is shown for all banks in the central reserve cities, other reserve cities, and those located elsewhere, at date of each report during the year, together with the averages based upon the five returns:

Loans, bonds, cash, and individual deposits of national banks at date of each call during the year, together with the averages for each class of banks.

[In thousands of dollars.]

	Loans.	Bonds, etc.	Cash and cash items.	Individual deposits.
Central reserve cities:				
Oct. 21, 1913	$1,348,251	$292,813	$553,551	$993,628
Jan. 31, 1914	1,336,370	213,862	614,565	996,742
Mar. 4, 1914	1,520,612	269,774	653,888	1,044,969
June 30, 1914	1,499,854	283,097	661,873	1,137,891
Sept. 12, 1914	1,446,804	476,038	463,065	1,068,930
Average	1,430,378	307,117	589,388	1,048,432
Other reserve cities:				
Oct. 21, 1913	1,649,905	439,585	341,141	1,416,283
Jan. 31, 1914	1,593,298	428,480	367,257	1,414,845
Mar. 4, 1914	1,611,298	427,251	348,797	1,388,305
June 30, 1914	1,700,829	453,575	379,586	1,516,792
Sept. 12, 1914	1,716,426	552,813	333,847	1,507,742
Average	1,654,351	460,341	354,126	1,448,793
Country banks:				
Oct. 21, 1913	3,290,182	1,175,213	340,030	3,641,776
Jan. 31, 1914	3,267,575	1,173,159	356,413	3,660,478
Mar. 4, 1914	3,247,061	1,183,818	340,050	3,678,054
June 30, 1914	3,244,871	1,178,215	341,984	3,614,010
Sept. 12, 1914	3,254,679	1,215,281	336,725	3,562,408
Average	3,260,874	1,185,137	343,040	3,631,345

* * * * * * *

Number and authorized capital of national banks organized and the number and capital of banks closed in each year ended Oct. 31 since the establishment of the national banking system, with the yearly increase or decrease.

Year.	Organized		Closed.				Net yearly increase.		Net yearly decrease.	
			In voluntary liquidation.		Insolvent.					
	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.
1863	134	$16,378,700					134	$16,378,700		
1864	453	79,366,950	3				450	79,366,950		
1865	1,014	242,542,982	6	$330,000	1	$50,000	1,007	242,162,982		
1866	62	8,515,150	4	650,000	2	500,000	56	7,365,150		
1867	10	4,260,300	12	2,160,000	6	1,170,000		930,300	8	
1868	12	1,210,000	18	2,445,500	4	410,000			10	$1,645,500
1869	9	1,500,000	17	3,372,710	1	50,000			9	1,922,710
1870	22	2,736,000	14	2,550,000	1	250,000	7			64,000
1871	170	19,519,000	11	1,450,000			159	18,069,000		
1872	175	18,988,000	11	2,180,500	6	1,806,100	158	15,001,400		
1873	68	7,602,700	21	3,524,700	11	3,825,000	36	253,000		
1874	71	6,745,500	20	2,795,000	3	250,000	48	3,700,500		
1875	107	12,104,000	38	3,820,200	5	1,000,000	64	7,283,800		
1876	36	3,189,800	32	2,565,000	9	965,000			5	340,200
1877	29	2,589,000	26	2,539,500	10	3,344,000			7	3,294,500
1878	28	2,775,000	41	4,237,500	14	2,612,500			27	4,075,000
1879	38	3,595,000	33	3,750,000	8	1,230,000			3	1,385,000
1880	57	6,374,170	9	570,000	3	700,000	45	5,144,170		
1881	86	9,651,050	26	1,920,000			60	7,731,050		
1882	227	30,038,300	78	16,120,000	3	1,561,300	146	12,357,000		
1883	262	28,654,350	40	7,736,000	2	250,000	220	20,668,350		
1884	191	16,042,230	30	3,647,250	11	1,285,000	150	11,109,980		
1885	145	16,938,000	85	17,856,590	4	600,000	56			1,518,590
1886	174	21,358,000	25	1,651,100	8	650,000	141	19,056,900		
1887	225	30,546,000	25	2,537,450	8	1,550,000	192	26,458,550		
1888	132	12,053,000	34	4,171,000	8	1,900,000	90	5,982,000		
1889	211	21,240,000	41	4,316,000	2	250,000	168	16,674,000		
1890	307	36,250,000	50	5,050,000	9	750,000	248	30,450,000		
1891	193	20,700,000	41	4,485,000	25	3,622,000	127	12,593,000		
1892	163	15,285,000	53	6,157,500	17	2,450,000	93	6,677,500		
1893	119	11,230,000	46	6,035,000	65	10,935,000	8			5,740,000
1894	50	5,285,000	79	10,475,000	21	2,770,000			50	7,960,000
1895	43	4,890,000	49	6,093,100	36	5,235,020			42	6,348,120
1896	28	3,245,000	37	3,745,000	27	3,805,000			36	4,305,000
1897	44	4,420,000	70	9,659,000	38	5,851,500			65	11,090,500
1898	56	9,665,000	69	12,509,000	7	1,200,000			19	4,044,000
1899	78	16,470,000	64	24,335,000	12	850,000	2			8,715,000
1900	383	19,960,000	43	12,474,950	6	1,800,000	334	5,685,050		
1901	394	21,554,500	39	7,415,000	11	1,760,000	344	12,379,500		
1902	470	31,130,000	71	22,190,000	2	450,000	397	8,490,000		
1903	553	34,333,500	72	30,720,000	12	3,480,000	469	133,500		
1904	431	21,019,300	65	20,285,000	20	1,535,000	346			800,700
1905	506	33,532,500	121	24,409,500	22	2,035,000	363	7,088,000		
1906	455	21,413,500	81	13,223,000	8	680,000	366	7,510,500		
1907	516	34,967,000	84	11,745,000	7	775,000	425	22,447,000		
1908	326	22,823,000	80	12,415,000	24	5,560,000	222	4,848,000		
1909	309	22,830,000	149	14,225,850	9	768,500	151	7,835,650		
1910	311	30,760,000	113	29,123,500	6	875,000	192	761,500		
1911	214	12,840,000	98	11,010,000	3	275,000	113	1,555,000		
1912	188	16,080,000	83	21,605,250	8	1,100,000	97			6,625,250
1913	172	10,175,000	80	14,571,010	6	4,350,000	86			8,746,010
1914	195	18,675,000	113	26,487,000	21	1,810,000	61			9,632,000
Aggregate.	10,652	1,106,046,482	2,550	459,339,660	[1] 552	90,930,920	7,831	644,107,982	281	88,332,080
Deduct increase							281	88,332,080		
Net increase.							7,550	555,775,902		
Add for banks restored to solvency							28	9,955,000		
Total net increase.							7,578	[2] 565,730,902		

[1] Includes 28 banks restored to solvency.

[2] The total authorized capital stock on Oct. 31 was $1,072,492,175; the paid-in capital, $1,071,908,332.50, including the capital stock of liquidating and insolvent banks which have not deposited lawful money for the retirement of their circulating notes.

BONDS AND OTHER SECURITIES AND CIRCULATION SECURED THEREBY AT THE END OF EACH MONTH FROM NOVEMBER 30, 1913, TO OCTOBER 31, 1914.

The total amount of national bank circulation outstanding on October 31, 1914, was $1,121,468,911, of which $739,716,693 was secured by United States bonds, $361,119,940 by miscellaneous securities (act of May 30, 1908), and $20,632,278 secured by deposits of lawful money in retirement account. The increase during the month of October was $43,584,135. As additional currency was not issued prior to August last, a comparison with the amount of circulation outstanding on July 31, namely, $750,907,021, and the amount on October 31, shows an increase of $370,561,890. The increase in outstanding circulation from October 31, 1913, to October 31, 1914, was $362,569,202.

The authorized issues of additional circulation through national currency associations on October 31 was $374,680,715. Under section 3 of the National Currency Association act the authorized issues were $910,500; hence the total authorized issues under the act in question were $375,591,215.

The condition of the bond and circulation accounts at the close of each month of the year ended October 31, 1914, is shown in the following table:

Date.	United States bonds on deposit.[1]	Issue value of miscellaneous securities on deposit.	Circulation secured by—			Total circulation outstanding.
			United States bonds.	Miscellaneous securities.	Lawful money.	
1913.						
Nov. 30	$743,590,500		$739,677,565		$17,481,906	$757,159,471
Dec. 31	743,066,500		740,633,645		17,209,316	757,842,961
1914.						
Jan. 31	741,645,500		736,194,233		17,828,533	754,022,766
Feb. 28	741,445,500		736,509,838		16,658,993	753,168,831
Mar. 31	740,603,400		735,445,281		16,605,018	752,050,299
Apr. 30	741,213,210		736,180,040		15,585,726	751,765,766
May 31	740,818,360		735,423,425		16,131,271	751,554,696
June 30	740,796,910		735,528,960		15,142,939	750,671,899
July 31	740,220,660		735,222,801		15,684,220	750,907,021
Aug. 31	743,318,050	$126,971,550	735,851,383	$126,241,760	15,447,138	877,540,281
Sept. 30	744,528,050	344,753,240	737,109,983	325,007,900	15,766,893	1,077,884,776
Oct. 31	744,740,600	365,249,065	739,716,693	361,119,940	20,632,278	1,121,468,911

[1] Including bonds held for account of banks in process of liquidation.

DEPOSITS AND WITHDRAWALS OF UNITED STATES BONDS.

Exclusive of deposits of United States bonds in substitution for a like amount withdrawn, the deposits during the past year aggregated $24,891,050, of which $24,723,300 were deposited by banks increasing circulation and $167,750 by banks chartered during the year. The withdrawals by reason of reduction of circulation, liquidation, and failures of banks amounted to $22,888,190.

The transactions during each month of the year are shown in the accompanying table:

United States bonds deposited as security for circulation by banks chartered and by those increasing their circulation, together with amount of bonds withdrawn by banks reducing circulation and by those closed, during each month.

Date.	Bonds deposited by banks chartered during the year.	Bonds deposited by banks increasing circulation.	Bonds withdrawn by banks reducing circulation.	Bonds withdrawn by banks in liquidation.	Bonds withdrawn, banks in insolvency.
1913.					
November	$68,750	$614,000	$462,500	$74,000	.....
December	58,500	3,767,000	1,866,000	2,425,000	.....
1914.					
January	15,000	1,770,500	2,521,250	670,250	.....
February	.....	1,569,500	1,421,250	948,250	.....
March	.....	672,050	506,400	1,100,750	$201,000
April	12,750	1,208,810	505,400	141,000	.....
May	.....	1,780,000	987,500	988,250	.....
June	6,500	3,004,500	257,500	2,818,000	.....
July	.....	1,522,750	807,500	1,291,500	.....
August	.....	4,129,140	600,500	131,250	300,000
September	6,250	2,573,050	.....	1,308,050	.....
October	.....	1,984,550	650,000	1,122,000	.....
Total	167,750	24,786,800	10,588,400	12,470,790	501,000

BONDED DEBT OF THE UNITED STATES AND NATIONAL-BANK HOLDINGS, AND SECURITIES DEPOSITED TO SECURE NATIONAL-BANK CIRCULATION AND PUBLIC DEPOSITS.

In the year ended October 31, 1914, the bonded debt of the United States other than that portion represented by postal-savings bonds was unchanged, and the increase in the latter was only $2,002,060. The bonded debt increased from $966,823,490 on October 31, 1913, to $968,825,550 on October 31, 1914. All of these bonds except the $50,000,000 Panama threes and $5,508,060 postal savings bonds are available as security for circulation upon their deposit with the Treasurer of the United States in trust for that purpose. As the National Currency Association act makes available as security for "additional circulation" State and municipal bonds and other securities, including commercial paper, it is within the power of the Secretary of the Treasury to authorize the acceptance for that purpose of any bonds of the United States held by a national bank.

United States bonds to the amount of $744,740,600 are on deposit to secure national bank circulation and $37,020,700 to secure public deposits, and $6,423,780 are held in the vaults of the national banks, thus making their total investment in these securities $788,185,080, or over 81 per cent of the total bonded debt. The premium on these bonds, as shown by the September 12, 1914, report of condition of the banks, has been charged down to $3,921,760. This amount is not considered in computing the percentage of the banks' investment in Government bonds, as shown by the table following. The Treasury holds miscellaneous securities, other than Government bonds, to the amount of $57,565,502 as security for public deposits, the total holdings for this purpose aggregating $94,586,202.

The Government bonded debt in detail, together with the amount and kinds of Government bonds on deposit to secure circulation and Government deposits, postal-savings bonds, and various other bonds, etc., held as security for public deposits, are shown in the following table:

Interest-bearing bonded debt of the United States and bonds on deposit to secure national-bank circulation and Government deposits, Oct. 31, 1914.

Kinds of bonds on deposit.	U. S. bonded debt.	On deposit to secure national-bank notes.	On deposit to secure public deposits.
United States consols of 1930 (twos)	$646,250,150	$606,622,300	$12,575,700
United States loan of 1908–1918 (threes)	63,945,460	21,447,180	4,967,400
United States loan of 1925 (fours)	118,489,900	34,699,300	3,821,200
United States Panama of—			
1936 (twos)	54,631,980	53,013,680	1,199,500
1938 (twos)	30,000,000	28,958,140	574,000
1961 (threes)	50,000,000		13,882,900
			37,020,700
District of Columbia (three-sixty-fives)			633,000
Philippine loans (fours)			5,900,000
Philippine Railway (fours)			918,000
Manila Railroad (fours)			10,000
Porto Rico loans (fours)			2,004,000
Postal savings bonds (two-and-a-halfs)	5,508,060		
Territory of Hawaii (various)			2,025,000
State, city, railroad, etc. (various)			46,075,502
Total	968,825,550	744,740,600	57,565,502

PRODUCTIVITY OF LOANS AND BOND INVESTMENTS OF NATIONAL BANKS.

The earnings of the banks being derived mainly from interest on loans and the returns upon bonds and other securities, a statement is submitted herewith indicating the amount of investments by banks in each geographical division, together with the amount of gross earnings and percentage of earnings to loans and bond investments. The aggregate of these assets is shown to be $8,360,443,440, and the gross earnings $515,624,301, on an average return of 6.17 per cent.

In the accompanying table is shown for June 30, 1914, the amount of loans, other investments, gross earnings of the banks, and the percentage of gross earnings to total investments for each geographical division:

Divisions.	Loans (including overdrafts).	Bonds, etc.	Total investment.	Gross earnings.	Per cent of gross earnings to total investment.
New England States	$524,245,522	$173,918,390	$698,163,912	$39,461,330	5.65
Eastern States	2,439,217,435	846,044,224	3,285,261,659	180,226,665	5.49
Southern States	831,203,633	202,033,906	1,033,237,539	74,053,888	7.17
Middle Western States	1,783,806,678	449,789,602	2,233,596,280	137,587,358	6.16
Western States	422,267,721	100,256,901	522,524,622	44,431,141	8.50
Pacific States	443,056,752	141,862,112	584,918,864	39,689,176	6.79
Hawaii	1,757,114	983,460	2,740,574	174,743	6.38
Total	6,445,554,855	1,914,888,595	8,360,443,450	515,624,301	6.17

EARNINGS AND DIVIDENDS OF NATIONAL BANKS.

The net earnings of national banks reporting their earnings[1] and dividends for the year ended June 30, 1914, aggregated $149,270,170, from which dividends were paid to the amount of $120,947,096, the average dividend rate being 11.37 per cent against an average rate of 11 per cent for the five years previous. Dividends based upon capital and surplus averaged 6.80 per cent for the year, while the net earnings to capital and surplus were 8.39 per cent.

The gross earnings of the banks aggregated $515,624,301, against which losses and premiums were written off to the amount of $64,929,614, together with expenses and taxes of $301,424,516. The combined capital and surplus of the banks aggregated $1,778,095,306, the percentage of surplus ($714,117,131) to capital being 67.11 per cent.

In the appendix of this report will be found the returns from the banks in each reserve city and State relating to their earnings and dividends during the year ended June 30, 1914, together with like data covering the years ended March 1, 1870, to June 30, 1914, and there is submitted herewith a table relating to the dividends paid by the banks located in each geographical division of the country.

Capital, surplus, amount and per cent of dividends paid by national banks in each geographical division for the year ended June 30, 1914.

Divisions.	Number of banks.	Capital stock.	Surplus.	Per cent of surplus to capital.	Amount of dividends paid.	Per cent of dividends to capital.
New England States....	445	$100,936,700	$62,936,425.00	62.35	$8,113,911.71	8.04
Eastern States.....	1,645	338,214,175	329,014,444.80	97.27	43,864,876.00	12.97
Southern States.....	1,508	175,450,900	91,812,176.52	52.33	18,551,004.01	10.57
Middle Western States..	2,061	284,305,100	154,312,595.35	54.28	29,081,320.70	10.23
Western States.....	1,268	72,287,500	34,039,853.38	47.09	10,082,328.08	13.95
Pacific States.....	521	92,118,800	41,726,191.65	45.30	11,208,455.73	12.17
Hawaii.....	5	635,000	275,444.70	43.38	45,200.00	7.12
Total.....	7,453	1,063,978,175	714,117,131.40	67.12	120,947,096.23	11.37

AMOUNT AND NUMBER OF ITEMS DEPOSITED WITH MEMBER BANKS DAILY IN EACH FEDERAL RESERVE DISTRICT.

In July last this office called upon the national banks for information required to form an approximate estimate as to the number of checks on member banks which the Federal reserve banks may be required to clear provided the Federal reserve banks should undertake to clear the checks of all member banks, and also for the purpose of ascertaining the probable number and amount of checks which would have to be cleared by a bank provided the Federal reserve bank of the district should refuse to receive from depositors checks of other banks (either member or nonmember) located in the same city or town as the depositing bank. The information was requested for the week beginning July 6.

[1] There are a comparatively few banks such as new banks which have just commenced business which made no report of net earnings.

The returns showed, first, the number and amount of checks on other member banks in the district outside of the city or town deposited with the bank locally by depositors other than member banks; second, the number and amount of checks on other member banks in the same town deposited with the bank locally by depositors other than banks; and, third, the number and amount of checks on other member banks in the district received by the bank from correspondents outside of the district.

Due to misapprehension of the scope of the inquiry or for other reasons, full returns were received from only 6,617 of the 7,528 banks called upon, and upon examining the returns it was concluded to summarize them by Federal reserve districts as of one date—namely, July 7.

In the following table results are shown relating to the number of banks from which returns were received in each Federal reserve district, together with the number and amount of checks received from each source.

Report for Tuesday, July 7, of checks received by banks in each Federal reserve district.

District.	Number of reporting banks.	Number of banks in the district.	Checks on other member banks outside of own city deposited by depositors other than member banks.		Checks on other member banks in own city deposited locally by depositors other than banks.		Checks on other member banks received from correspondents outside of district.	
			Number of items.	Amount.	Number of items.	Amount.	Number of items.	Amount.
No. 1	424	441	79,121	$6,829,978	81,539	$9,593,337	36,776	$2,996,827
No. 2	451	481	54,880	5,333,849	170,858	50,130,517	98,818	53,014,574
No. 3	706	756	78,495	5,341,127	60,158	8,410,909	37,034	6,883,195
No. 4	638	768	56,450	5,731,577	80,542	6,649,270	24,289	3,274,044
No. 5	394	482	31,839	3,369,353	57,531	4,319,797	14,046	2,511,334
No. 6	313	383	15,446	1,107,023	38,575	1,921,992	3,505	358,816
No. 7	852	963	58,954	5,841,191	104,595	11,431,942	32,479	6,490,184
No. 8	384	461	16,212	1,804,023	28,192	2,987,876	16,324	1,980,269
No. 9	620	700	37,602	4,271,876	52,764	3,344,185	5,909	702,177
No. 10	718	838	35,484	4,565,733	75,854	6,704,319	22,766	1,590,733
No. 11	652	742	27,153	2,114,549	58,685	3,048,798	3,215	213,984
No. 12	465	521	53,286	5,868,542	96,126	7,381,763	4,789	548,725

RATES FOR MONEY.

By reference to the accompanying table, obtained through the courtesy of the Commercial & Financial Chronicle, relating to the range in average rates for money in the New York money market from November, 1913, to October, 1914, it will be noted that the condition of the money market was normal prior to August. Beginning with August stock loans ranged from 5½ to 8 with an average of 6 to 6⅛. In that period time loans ranged from 6 to 8 for paper ranging from 60 days to 6 months, except for October when the maximum rate was 7½ per cent. In this period choice double name commercial paper ranged from 5½ to 7, and prime single name paper showed the same

ranges; good single name paper running from 4 to 6 months ranged from 6½ to 8 per cent. The table in question follows:

Range and average rates for money in the New York market, year ended Oct. 31, 1914.

Character of loans.	1913		1914			
	November.	December.	January.	February.	March.	April.
Call loans, stock exchange:						
Range	2 to 10	2½ to 8	1½ to 10	1½ to 3	1½ to 2	1½ to 2
Average	3½	4½	2½	1¾	1¾	1¾
Time loans: [1]						
30 days	4½ to 5	4½ to 5½	2½ to 5	2½ to 2¾	2½ to 3	2½ to 3
60 days	4½ to 5	4½ to 5½	3 to 5	3 to 3½	2¾ to 3	2½ to 3
90 days	4½ to 5	4½ to 5½	3 to 5	3 to 3½	2¾ to 3½	2½ to 3
4 months	4½ to 5	4½ to 5	3½ to 5	3 to 3½	2¾ to 3½	2½ to 3½
5 months	4½ to 5	4½ to 5	3½ to 5	3½ to 3½	2¾ to 3½	2½ to 3½
6 months	4½ to 5	4½ to 5	3½ to 5	3½ to 3½	3 to 3½	3 to 3½
Commercial paper:						
Double names, choice, 60 to 90 days	5½ to 5¾	5½ to 6	4 to 5½	3½ to 4	3½ to 4½	3½ to 4
Single names—						
Prime, 4 to 6 months	5½ to 5¾	5½ to 6	4 to 5½	3½ to 4	3½ to 4½	3½ to 4
Good, 4 to 6 months	6 to 6½	6 to 6½	4½ to 6½	4½ to 4½	4 to 4½	4 to 4½

Character of loans.	1914					
	May.	June.	July.	August.	September.	October.
Call loans, stock exchange:						
Range	1½ to 2	1½ to 2	1½ to 3	6 to 8	6 to 8	5½ to 8
Average	1¾	1¾	2½	6½	6	6
Time loans:						
60 days	2½ to 2½	2 to 2½	2½ to 6 N	6 to 8	6 to 8	6 to 8
90 days	2½ to 2½	2½ to 2¾	2¾ to 6 N	6 to 8	6 to 8	6 to 8
4 months	2¾ to 3	2½ to 3	3 to 6 N	6 to 8	6 to 8	6 to 8
5 months	3 to 3½	2¾ to 3½	3½ to 6 N	6 to 8	6 to 8	6 to 7½
6 months	3 to 3½	3 to 3¾	3½ to 6 N	6 to 8	6 to 8	6 to 7
Commercial paper:						
Double names, choice, 60 to 90 days	3¾ to 4	3½ to 4½	3¾ to 5½	5½ to 7	6 to 7	6 to 7
Single names—						
Prime, 4 to 6 months	3¾ to 4	3½ to 4½	3¾ to 5½	5½ to 7	6 to 7	6 to 7
Good, 4 to 6 months	4½ to 4¾	4½ to 4¾	4½ to 6	6½ to 7½	7½ to 8	7 to 8

[1] During August and September, 1914, certain New York banks charged on some of their loans as high as 10 per cent per annum.

N–6. Nominal.

TRANSACTIONS OF CLEARING HOUSES IN THE UNITED STATES.

Statistics relating to the transactions of the New York Clearing House and 162 other clearing-house associations throughout the country covering the year ended September 30, 1914, are presented elsewhere in detailed report, the principal features of which are submitted herewith.

The revised returns for 1913 show that the volume of transactions of all clearing houses aggregated $173,193,009,000, and that the transactions for the current year were $163,975,683,000, a decrease of $9,217,326,000. The transactions in New York decreased from $98,121,520,000 to $89,760,345,000, a decrease of $8,361,175,000. As will be noted, this amount represents the major portion of the aggregate decrease in the transactions of the current year as compared with 1913. Of the 14 clearing houses with transactions in excess of one billion dollars only three show clearings in excess of the prior year, namely, Chicago, to the amount of $121,756,000; Cincinnati, $1,921,000, and Detroit, $98,624,000. The decreases other than in New York

were as follows: Boston, $459,564,000; Philadelphia, $311,954,000; St. Louis, $71,291,000; Pittsburgh, $226,489,000; Kansas City, $3,472,000; San Francisco, $122,401,000; Baltimore, $111,030,000; Minneapolis, $7,810,000; Cleveland, $165,000; Los Angeles, $51,321,000, and New Orleans, $27,626,000.

The membership in the New York association is 62, the capital of member banks being $175,300,000. The balances of clearings paid in money aggregated $5,128,647,302, or 5.71 per cent of the transactions. The average daily clearings were $296,238,762, and the average daily balance $16,926,229. The clearing-house transactions of the Assistant Treasurer of the United States at New York for the year ended September 30 last were as follows: Exchanges received from the clearing house, $593,323,082.69; balances received from clearing house, $185,859,423.37; exchanges delivered to clearing house, $723,473,082.23; balances paid to clearing house, $55,709,423.83. Elsewhere in this report will be found a statement of the membership, capital, and clearings for each year ended September 30, from 1854 to 1914, inclusive.

The transactions of each of the 14 clearing-house associations with clearings in excess of one billion dollars and the aggregate clearings of all other associations for the years 1913 and 1914 are shown in the following statement:

Comparative statement, in millions of dollars, of clearings of the United States for the years ended Sept. 30, 1913 and 1914.

	Exchanges for year ending Sept. 30, 1913.	Exchanges for year ending Sept. 30, 1914.		Exchanges for year ending Sept. 30, 1913.	Exchanges for year ending Sept. 30, 1914.
New York	$98,121.5	$89,760.3	Minneapolis	$1,326.1	$1,318.3
Chicago	16,018.2	16,139.9	Detroit	1,286.9	1,385.6
Boston	8,326.2	7,866.7	Cleveland	1,271.2	1,271.1
Philadelphia	8,543.5	8,231.5	Los Angeles	1,234.1	1,182.8
St. Louis	4,122.1	4,050.8	New Orleans	1,002.1	974.4
Pittsburgh	2,951.9	2,725.4			
Kansas City	2,835.2	2,831.8	Total	153,046.7	143,513.8
San Francisco	2,666.6	2,544.2	Total, 148 other cities	20,146.3	20,461.9
Baltimore	2,010.4	1,899.4			
Cincinnati	1,329.7	1,331.6	Grand total	173,193.0	163,975.7

NATIONAL BANK NOTES IN CIRCULATION.

In the monthly statements issued by the Comptroller the amount of outstanding national-bank notes differs materially from the amount reported in circulation by the banks by reason of amounts in transit to and from the banks on a given day and the amounts received by the banks and not placed in circulation. The department also states the amount outstanding secured by deposits of lawful money in retirement account. At the close of business on June 30, 1914, the outstanding circulation, as shown by department records, was $750,671,899, of which $735,528,960 was secured by United States bonds and $15,142,939 by lawful money. In the report of condition of national banks for the same date the outstanding issues were stated at $722,554,719, the banks holding in their vaults $12,274,371. This circulation was secured by United States bonds to the amount of $734,897,425.

Prior to the passage of the Federal reserve act the volume of national-bank circulation was limited in the aggregate to the amount of the paid-in capital of the banks; hence the relation of those two items is of interest. Elsewhere in this report is shown the amount of paid-in capital, circulation, and assets of the banks at date of each periodical report from 1863 to 1914, inclusive, the amount of money in the United States on June 30 of each year, together with the percentage of circulation to capital, to assets, and to money in the country. During the midsummer of 1891 the low point in circulation, compared with capital, was reached, namely, 18.4 per cent. In that summer low points were also reached in the per cent of relative circulation to assets and to the stock of money; that is, 3.9 per cent and 7.3 per cent, respectively. While issues of circulation were increased by the legislation of March 4, 1900, it was not until 1904 that the volume reached 50 per cent of the banks' capital. From the close of 1907 to June 30, 1910, the issues fluctuated between 65 and 70 per cent, with an average of about 68. In 1910 bank circulation amounted to nearly one-fifth of the circulating medium of the country and continued in that proportion until June 30, 1914.

The stock of currency in the country increased from $3,738,000,000 on June 30, 1914, to $3,819,900,000 on September 1. The outstanding circulation reported by banks on September 12 was $918,270,315, or 24 per cent of the money stock on the first of the month.

The actual amount of bank currency in circulation, as shown by the periodical returns during the report year, in New York, in all central reserve cities, other reserve cities, and in banks located elsewhere, is stated, in millions of dollars, in the following table:

	New York.	New York, Chicago, and St. Louis.	Other reserve cities.	All reserve cities.	Country banks.	Total.
Oct. 21, 1913	45.8	77.0	163.9	240.9	486.1	727.0
Jan. 13, 1914	45.4	77.8	162.1	239.9	485.4	725.3
Mar. 4, 1914	42.8	74.6	160.3	234.9	485.7	720.6
Jan. 30, 1914	41.2	73.0	170.3	243.3	479.2	722.5
Sept. 12, 1914	130.6	189.4	229.7	419.1	499.1	918.2

DENOMINATIONS OF NATIONAL-BANK CIRCULATION.

The increase in amount in the aggregate and by denominations of national-bank circulation from March 14, 1900, to October 31, 1914, is shown in the following table:

Denominations.	Mar. 14, 1900.	Oct. 31, 1914.
Ones	$348,275	$342,759
Twos	167,466	163,782
Fives	79,310,710	214,491,860
Tens	79,378,160	476,363,040
Twenties	58,770,660	297,259,860
Fifties	11,784,150	68,202,050
One hundreds	24,103,400	65,540,950
Five hundreds	104,000	88,500
One thousands	27,000	22,000
Unredeemed fractions	32,409	53,340
	254,026,230	1,122,528,141
Less notes redeemed but not assorted by denominations		1,059,230
Total	254,026,230	1,121,468,911

NATIONAL-BANK REDEMPTION AGENCY RECEIPTS AND REDEMPTIONS.

National-bank notes to the amount of $650,730,945 were received for redemption at the National Bank Redemption Agency during the year ended October 31, 1914, of which all except $100,009,745, or 15 per cent, were from the cities of New York, Chicago, Boston, St. Louis, Philadelphia, Cincinnati, Baltimore, and New Orleans. Nearly one-half of the receipts, or to be exact, $301,874,200, were from New York alone.

In January the receipts for redemption reached $90,575,523, the maximum for any month of the year, while the receipts reached the minimum, $26,713,805, in September.

By reason of the nonavailability of national-bank notes for reserves, a material portion of the notes received for redemption are transmitted to the Treasury for the purpose of obtaining funds that are so available, and not that they are in an unfit condition for circulation. Of the total receipts for the year there were $204,945,650 in notes fit for circulation which, after being redeemed through the 5 per cent accounts, were returned to the issuing banks, the remaining amount, $445,785,295, being redeemed and destroyed and new notes issued to the banks credited with the redemptions.

Expenses incurred in the redemption of national-bank circulation during the last fiscal year aggregated $529,013.36, the cost of redemption per thousand dollars being $0.7431+.

In the following statement is shown the amount of redemptions of national-bank circulation in each month, together with the principal sources of receipts:

November, 1913	$47,588,199
December, 1913	57,761,920
January, 1914	90,575,523
February, 1914	56,810,420
March, 1914	61,207,677
April, 1914	66,323,823
May, 1914	60,276,925
June, 1914	54,812,182
July, 1914	54,748,724
August, 1914	29,837,854
September, 1914	26,713,805
October, 1914	44,073,893
Total	650,730,945

Principal sources of receipts.

New York	$301,874,200
Chicago	78,710,500
Boston	52,565,500
St. Louis	42,007,600
Philadelphia	36,447,700
Cincinnati	16,048,000
Baltimore	14,246,000
New Orleans	8,821,700
Other places	100,009,745
Total	650,730,945

TAX ON NATIONAL-BANK CIRCULATION, COST OF PLATES, REDEMPTION CHARGES, CORPORATION TAXES, EXAMINERS' FEES, AND EXPENSES OF THE CURRENCY BUREAU.

The expenses of national banks in connection with the issue of circulation for the fiscal year ended June 30, 1914, were $4,445,106.53, of which $3,889,733.17 was the semiannual tax on circulation, $529,013.36 redemption charges, and $26,360 the cost of plates for use in the printing of circulation. In addition to these expenses the banks paid the corporation tax of 1 per cent on net earnings of approximately $1,300,000. No separate statement is issued by the Internal-Revenue Bureau in relation to the corporation tax on national banks, and the amount stated is based upon the net earnings of the banks as shown by reports of earnings and dividends during the year ended June 30, 1914. To the foregoing expenses must also be added the examiners' fees for the fiscal year, which are stated at $520,607.46.

The records of the Treasury Department show that national banks have paid to the Government semi-annual taxes on their outstanding circulation, from the date of the first issue of circulation in 1863 to June 30, 1914, the sum of $126,233,643.96, and that the expenses of the Currency Bureau for the same period were $15,416,486.77, exclusive of contingent expenses, which are paid from the general appropriation for contingent expenses of the Treasury Department. The expenses of the bureau for the last fiscal year are as follows: Special dies, plates, printing, etc., $543,676.34; salaries, $136,729.46; and for salaries reimbursed by national banks, $42,352.33. Contingent expenses for the same period amounted to $4,915.12.

PROFIT ON NATIONAL-BANK CIRCULATION.

In the appendix of this report will be found the Government actuary's computation of the profit on national-bank circulation based upon a deposit of $100,000 consols of 1930, bonds of 1925, and Panama Canal bonds of 1916–1936 at the average net price monthly for bonds in the New York market.

In November, 1913, the net price of 2 per cent consols of 1930 was $97.48, and with money at 6 per cent the profit on circulation would be 1.726 per cent in excess of 6 per cent on the bond cost. There has been no standard market price of United States bonds, other than the closing price of the New York Stock Exchange, since July. In that month the price of 2 per cent consols was $97.50 and the net profit on circulation secured thereby 1.728 per cent. Panama Canal bonds of 1916–1936 in November, 1913, were quoted at $96.75, with a profit on circulation secured by those bonds of 1.758 per cent. In July the price of these bonds was $96.75, and the consequent profit on circulation 1.762. The 4 per cent bonds of 1925 were quoted at $110.78 in November, 1913, and the profit on circulation was at the rate of 1.452 per cent. In July last the price of these bonds was $110.76 and the percentage of profit on circulation 1.381.

NATIONAL CURRENCY ASSOCIATIONS.

As one of the results of the experience acquired and the lessons learned from the 1907 "panic," the so-called emergency-currency law was written into the Federal statutes on May 30, 1908. The

purpose of this act was to enable national banks to obtain and issue circulating notes covered by deposits of commercial paper or such other securities as would be satisfactory to the depositary and to the Secretary of the Treasury. Provisions were made for obtaining circulation either by depositing the commercial paper or other securities with the currency association of which the applying bank might be a member, or by depositing State, county, or municipal bonds with the Treasurer of the United States in trust.

In order to make available as security for circulation commercia paper and miscellaneous securities, it was essential that there should be other assurance of the redemption of the notes than the security tendered, and for this reason provision was made for the deposit of the securities with a national currency association and an agreement that the depositary banks and the assets of all banks belonging to the association should be liable for the redemption of the circulation.

Each national currency association must be composed of not less than 10 banks, each having an unimpaired capital, and surplus of not less than 20 per cent of capital, and having aggregate capital and surplus of at least $5,000,000. The original act provided that, in addition to having an unimpaired capital and 20 per cent surplus, to be enabled to issue "additional circulation" each bank must have outstanding circulation, secured by United States bonds, to an amount not less than 40 per cent of its capital. This requirement, however, was modified by the act of August 4, 1914, which permitted the Secretary of the Treasury to suspend the limitation so imposed. This modification was needed in view of the amendment to the national-bank act in the Federal reserve act under which the organization of national banks is authorized without a deposit of United States bonds as a condition precedent to beginning business.

For the purpose of obtaining additional circulation any bank belonging to a currency association may deposit with and transfer to the association, in trust for the United States, such securities as may be satisfactory to the board of the association. The officers of the association, in behalf of the bank, may then make application to the Comptroller of the Currency for an issue of circulation to an amount not exceeding 75 per cent of the cash value of the commercial paper or securities deposited. It is provided, however, that upon the security of State, city, town, county, or other municipal bonds circulation may be issued to not exceeding 90 per cent of the market value of the bonds. It is further provided that no bank shall be authorized to issue notes based on commercial paper in excess of 30 per cent of its capital and surplus.

Section 3 of the act of May 30, 1908, authorizes the issuance of additional circulation direct to the applying bank upon State, county, and municipal bonds, deposited with and approved by the Treasurer of the United States and also approved by the Secretary of the Treasury as to character and amount. The legal title of all bonds so deposited is required to be transferred to the Treasurer of the United States in trust for the depositing bank.

Additional circulation issued under authority of this act is used, held, and treated in the same way as circulation heretofore issued on the security of United States bonds and redemptions provided for by a 5 per cent redemption fund, except that the total circulation of any bank shall not exceed capital and surplus, and not more than

$500,000,000 of additional circulation of all banks shall be outstanding at any time. (These limitations were subsequently removed by amendment of August 4, 1914.) Provision was made for a tax on this additional circulation at the rate of 5 per cent per annum for the first month, increasing each month thereafter by 1 per cent per annum until 10 per cent is reached, the rate thereafter to be at that rate.

This additional circulation may be retired at any time by depositing lawful money or national-bank notes with the Treasurer of the United States, and securities withdrawn.

Acceptance of all securities for additional circulation requires approval by the currency association, together with that of the Secretary. Like approval is required on all exchanges of securities. All applications are submitted to the Secretary of the Treasury, with the approval or disapproval of the Comptroller of the Currency.

The expiration of the emergency currency act was fixed as of June 30, 1914, but by section 27 of the Federal reserve act that act was extended until June 30, 1915, and the rate of tax on additional circulation reduced to 3 per cent per annum for the first three months, afterwards an additional tax rate of one-half per cent per annum for each month until a tax of 6 per cent per annum is reached, which shall be the maximum rate.

The act of August 4, 1914, further amended the emergency currency act by conferring upon the Secretary of the Treasury power to suspend the limitation which prescribes that additional circulation shall be issued only to national banks having 40 per cent United States bond-secured circulation and the limitations relating to the amount of additional circulation issuable by a bank and in the aggregate. Each bank, with the approval of the Secretary of the Treasury, may issue circulation to the extent of 125 per cent of its capital and surplus.

METHOD OF APPLYING FOR ADDITIONAL CIRCULATION.

Every application for additional circulation must be accompanied by the securities, which are held in trust by the currency association, through which the application is made, except in cases of direct applications by banks, under section 3 of the act, and in the latter cases the securities are deposited with the Treasurer of the United States. Upon approval by the association the application, together with a schedule of the securities, is transmitted to the Comptroller of the Currency. When approved by the Secretary of the Treasury, the currency is at once shipped to the applying bank and the currency association also advised of that action.

Immediately following the passage of the "additional currency" act, the Comptroller directed the necessary engraving of plates for the printing of a supply of circulation to an amount equal to 50 per cent of the capital of each national bank. The legend on these notes was changed to read "secured by United States bonds or other securities."

The stock of incomplete currency in the Comptroller's vaults, which, prior to the passage of this act, was less than $200,000,000, soon thereafter was increased to over $600,000,000. On October 31, 1913, the amount in the vault was approximately $580,786,000. On July 31, 1914, the stock amounted to $524,864,470.

* * * * * * *

ORGANIZATION OF NEW NATIONAL BANKS.

Within the year ended October 31, 1914, 318 applications for authority to organize national banks were received, of which 226 have been approved (and charters already issued for 195 of these) and the remainder have either been abandoned or held pending the submission of further information.

Since December 23, 1913, the date of the passage of the Federal reserve act, there have been 299 applications received for the organization of national banks, 170 of them being for the conversion of State banks or for the reorganization of State or private banks, and 129 for primary organization.

The act of December 23, 1913, removed the requirement of the deposit of United States bonds as a condition precedent to the issuance of charter. Of the 183 banks organized since that date 109 were chartered under the act of March 14, 1900—that is, with capital of less than $50,000—and 8 of the latter deposited United States bonds to secure circulation prior to the issuance of charter and 20 subsequent thereto. Six of the banks in this class deposited miscellaneous securities under the act of May 30, 1908, as security for circulation. Of the 74 banks chartered under the act of June 3, 1864, none deposited United States bonds at the time they were chartered, but 27 of them have since taken out circulation secured by United States bonds and 15 have taken out circulation secured by securities other than United States bonds. One hundred and ten of the 195 banks chartered during the current year have not deposited securities of any character for the purpose of taking out circulation.

Of the 10,652 banks chartered during the existence of the national banking system, 195, with authorized capital of $18,675,000, were chartered during the current year. There are in existence, of the total number chartered, 7,578 banks, 2,550 having been placed in voluntary liquidation and 524 in the charge of receivers. State banks to the number of 1,805, with capital at date of change of $345,300,928, have been converted into national banks since 1863.

In addition to the capital of banks organized during the year, there was an increase in capital of banks organized prior thereto of $17,057,000, making the gross increase for the year $35,732,000; but by reason of reductions of capital, voluntary liquidations, and failures the net increase was but $4,810,000, the authorized capital stock of all banks at the close of the year standing at $1,072,492,175.

Since March 14, 1900, charters have been granted to 5,388 associations, with authorized capital of $349.613,300, of which 3,422, with aggregate capital of $89,170,500, were organized under the act of that date with individual capita of $25,000 generally, although a limited number of banks were organized with capital in excess of $25,000 but less than $50,000. The average capital, however, of banks of this class was slightly in excess of $26,058. During the same period 1,966 were organized under the act of 1864, the aggregate capitalization being $260,442,800 and the individual capital $50,000 or over. Further classifying these banks, it appears that 886 were conversions of State banks, capital $66,080,800; 1,625 reorganizations of State or private banks, capital $119,227,000; and 2,877, with capital of $164, 305, 500, primary organizations.

In the following table will be found a classification of banks organized from March 14, 1900, to October 31, 1914, based upon capital stock, together with the number of banks and their reported capital on September 12, 1914, by States and geographical divisions.

Summary, by States, geographical divisions, and classes, of national banks organized from Mar. 14, 1900, to Oct. 31, 1914, and the paid-in capital stock of all reporting national banks on Sept. 12, 1914.

States, etc.	Capital $25,000.		Capital over $25,000 and less than $50,000.		Capital $50,000 and over.		Total organizations.		National banks reporting Sept. 12, 1914.	
	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital paid in.
New England States.										
Maine	5	$125,000			7	$385,000	12	$510,000	69	$7,740,000.00
New Hampshire	4	100,000	1	$30,000	2	200,000	7	330,000	56	5,285,000.00
Vermont	5	125,000			2	150,000	7	275,000	48	4,085,000.00
Massachusetts	2	50,000			19	4,450,000	21	4,500,000	172	55,842,500.00
Rhode Island					1	500,000	1	500,000	19	6,220,000.00
Connecticut	5	125,000			5	250,000	10	375,000	76	19,514,200.00
Total	21	525,000	1	30,000	36	5,935,000	58	6,490,000	440	99,586,700.00
Eastern States.										
New York	117	2,925,000	10	317,500	105	18,520,000	232	21,762,500	479	166,419,000.00
New Jersey	58	1,450,000	8	240,000	43	3,660,000	109	5,350,000	202	22,302,000.00
Pennsylvania	235	5,825,000	24	807,000	224	24,840,000	483	31,472,000	887	120,141,840.00
Delaware	6	150,000	3	95,000			9	245,000	25	1,688,975.00
Maryland	32	800,000	5	172,000	13	1,480,000	50	2,452,000	101	16,009,710.00
District of Columbia					6	1,975,000	6	1,975,000	13	6,977,000.00
Total	448	11,150,000	50	1,631,500	396	50,275,000	894	63,056,500	1,707	333,538,725.00
Southern States.										
Virginia	42	1,050,000	11	365,000	49	5,445,000	102	6,860,000	135	18,206,772.50
West Virginia	54	1,050,000	13	455,000	44	3,565,000	99	5,070,000	118	10,212,775.00
North Carolina	22	550,000	4	130,000	35	3,835,000	61	4,515,000	75	8,970,000.00
South Carolina	16	400,000			32	3,415,000	48	3,815,000	55	7,485,000.00
Georgia	26	650,000	20	675,000	53	5,100,000	99	6,425,000	114	14,748,500.00
Florida	10	250,000	7	225,000	31	5,725,000	48	6,200,000	53	6,695,000.00
Alabama	35	875,000	12	379,500	38	3,125,000	85	4,379,500	90	10,405,000.00
Mississippi	8	200,000	4	125,000	23	2,365,000	37	2,690,000	38	3,837,000.00
Louisiana	13	325,000	1	30,000	21	3,000,000	35	3,355,000	52	7,206,000.00
Texas	243	6,075,000	89	2,861,000	158	19,910,000	490	28,846,000	519	52,339,170.00
Arkansas	26	650,000	2	60,000	31	2,420,000	59	3,130,000	58	5,201,000.00
Kentucky	54	1,350,000	7	230,000	36	5,370,000	97	6,950,000	142	17,725,900.00
Tennessee	30	975,000	9	270,000	59	4,745,000	98	6,000,000	116	14,375,000.00
Total	588	14,400,000	179	5,536,500	592	68,725,000	1,359	89,261,500	1,545	177,524,117.50
Middle Western States.										
Ohio	110	2,750,000	13	658,000	90	13,025,000	213	16,433,000	377	62,029,100.00
Indiana	93	2,325,000	18	483,000	74	10,650,000	182	13,458,000	251	27,650,000.00
Illinois	178	4,450,000	20	698,500	100	14,800,000	298	19,948,500	465	75,830,000.00
Michigan	17	425,000	5	160,000	30	11,015,000	52	11,600,000	100	17,069,730.00
Wisconsin	40	1,000,000	4	125,000	31	3,600,000	75	4,725,000	131	17,915,000.00
Minnesota	183	4,575,000	17	531,000	31	5,100,000	231	10,206,000	274	26,121,000.00
Iowa	119	2,975,000	23	770,000	70	4,320,000	212	8,065,000	343	23,360,000.00
Missouri	38	950,000	15	480,000	42	16,085,000	95	17,515,000	130	35,570,000.00
Total	778	19,450,000	115	3,905,500	468	78,595,000	1,364	101,950,500	2,074	285,644,830.00
Western States.										
North Dakota	128	3,200,000	7	215,000	11	600,000	146	4,015,000	149	5,500,000.00
South Dakota	72	1,800,000	4	120,000	16	1,100,000	92	3,020,000	106	4,612,500.00
Nebraska	104	2,600,000	20	715,000	39	3,395,000	163	6,710,000	220	15,845,000.00
Kansas	98	2,450,000	11	390,000	31	2,400,000	140	5,240,000	213	12,367,500.00
Montana	27	675,000	5	165,000	17	1,540,000	49	2,380,000	61	5,370,000.00
Wyoming	13	325,000			12	675,000	25	1,000,000	32	1,850,000.00
Colorado	54	1,350,000	11	361,000	38	3,310,000	103	5,021,000	125	10,840,000.00
New Mexico	25	625,000	4	125,000	11	625,000	40	1,375,000	38	2,165,000.00
Oklahoma	369	9,225,000	32	1,040,000	72	5,455,000	473	15,720,000	346	14,989,100.00
Total	890	22,250,000	94	3,131,000	247	19,100,000	1,231	44,481,000	1,290	73,539,100.00

Summary, by States, geographical divisions, and classes, of national banks organized from Mar. 14, 1900, to Oct. 31, 1914, and the paid-in capital stock of all reporting national banks on Sept. 12, 1914—Continued.

States, etc.	Capital $25,000.		Capital over $25,000 and less than $50,000.		Capital $50,000 and over.		Total organizations.		National banks reporting Sept. 12, 1914.	
	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital paid in.
Pacific States.										
Washington	37	$925,000	2	$70,000	35	$3,795,000	74	$4,790,000	78	$11,660,000.00
Oregon	35	875,000	3	91,000	27	2,295,000	65	3,261,000	84	10,586,000.00
California	117	2,925,000	6	190,000	127	27,262,800	250	30,377,800	262	57,907,800.00
Idaho	32	800,000	6	200,000	14	1,010,000	52	2,010,000	55	3,470,000.00
Utah	7	175,000	1	30,000	6	1,275,000	14	1,480,000	23	3,555,000.00
Nevada	3	75,000	....	.....	9	1,225,000	12	1,300,000	10	1,410,000.00
Arizona	4	100,000	1	30,000	5	250,000	10	380,000	13	1,175,000.00
Alaska	.....	.....	.....	.....	1	50,000	1	50,000	2	100,000.00
Total	235	5,875,000	19	611,000	224	37,162,800	478	43,648,800	527	89,863,800.00
Island possessions.										
Hawaii	3	75,000	....	.....	2	550,000	5	625,000	5	635,000.00
Porto Rico	.....	.....	.....	.....	1	100,000	1	100,000	.....	.....
Total	3	75,000	....	.....	3	650,000	6	725,000	5	635,000.00
Grand total.	2,961	74,025,000	461	15,145,500	1,966	260,442,800	5,388	349,613,300	7,538	1,060,332,072.50

The number and capital, by classes, of conversions, reorganizations, and primary organizations, are shown in the following table:

Summary, by classes, of national banks organized from Mar. 14, 1900, to Oct. 31, 1914.

Classification.	Conversions.		Reorganizations.		Primary organizations.		Total.	
	Number.	Capital.	Number.	Capital.	Number.	Capital.	Number.	Capital.
Capital less than $50,000.	508	$13,438,000	1,018	$26,962,000	1,896	$48,770,500	3,422	$89,170,500
Capital $50,000 or over.	378	52,642,800	607	92,265,000	981	115,535,000	1,966	260,442,800
Total	886	66,080,800	1,625	119,227,000	2,877	164,305,500	5,388	349,613,300

Number of national banks organized in each month from Mar. 14, 1900, to Oct. 31, 1914.

Months.	1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
January	.....	36	40	34	36	45	45	40	32	28	28	12	16	16	10
February	.....	31	28	50	35	39	41	42	36	20	29	13	14	16	9
March	6	35	41	56	42	50	41	50	39	22	37	39	19	16	10
April	46	30	50	51	46	42	43	46	34	26	26	28	15	25	25
May	66	54	50	47	42	49	45	52	33	24	21	20	22	23	24
June	95	40	42	58	43	48	42	55	21	44	40	21	14	14	21
July	46	41	38	43	22	37	32	40	37	28	19	13	16	12	21
August	44	27	42	36	38	44	33	39	20	32	12	15	15	11	13
September	20	23	38	31	32	35	31	46	14	24	27	15	20	13	23
October	25	27	33	57	43	36	41	38	18	22	22	8	15	6	24
November	21	32	36	20	36	23	27	19	21	23	12	11	6	6	.....
December	29	36	54	32	45	38	41	23	18	27	18	11	14	9	.....
Total	398	412	492	515	460	486	462	490	323	320	291	206	186	167	180

Number and classification of national banks organized during the year ended Oct. 31, 1914.

Months.	Conversions.		Reorganizations.		Primary organizations.		Total.	
	No.	Capital.	No.	Capital.	No.	Capital.	No.	Capital.
November			3	$175,000	3	$100,000	6	$275,000
December			4	105,000	5	125,000	9	230,000
January			4	180,000	6	545,000	10	725,000
February	2	$50,000	2	50,000	5	175,000	9	275,000
March	3	125,000	6	230,000	1	25,000	10	380,000
April	11	300,000	8	350,000	6	350,000	25	1,200,000
May	19	1,025,000	7	5,775,000	7	575,000	24	7,355,000
June	6	250,000	8	1,775,000	7	275,000	21	2,300,000
July	11	680,000	6	365,000	4	100,000	21	1,145,000
August	5	330,000	4	130,000	4	1,075,000	13	1,535,000
September	10	1,285,000	4	175,000	9	500,000	23	1,960,000
October	18	1,120,000	1	25,000	5	150,000	24	1,295,000
Total	76	5,345,000	57	9,335,000	62	3,995,000	195	18,675,000

* * * * * * *

VOLUNTARY LIQUIDATION OF NATIONAL BANKS.

Section 5220 of the Revised Statutes provides that any national bank may be placed in voluntary liquidation by shareholders representing at least two-thirds of the stock. Meetings of shareholders for this purpose are called in conformity with the requirements of the articles of association, at which meeting, in addition to adopting a resolution for the liquidation of the bank, provisions are made either for immediate liquidation of the assets where practicable, settlement with creditors and shareholders, or the appointment of a liquidating agent to settle the affairs of the bank as speedily as possible in the interest of both creditors and shareholders.

The liquidations during the past year numbered 113, the capital involved $26,487,090. Of these banks 10, with capital of $1,675,000, were absorbed by other national banks; 17, with capital of $9,300,000, consolidated with other national banks; 23, with capital of $5,237,000, were absorbed by or consolidated with State banks and trust companies; 17, with capital of $2,135,000, liquidated and reorganized as State banks; 6, with capital of $1,252,000, for the purpose of reorganizing as national banks; one with capital of $50,000, the corporate existence of which expired by limitation, was succeeded by a new national bank; one, with capital of $100,000, the corporate existence of which expired by limitation, was succeeded by a State bank, and one with capital of $50,000, the corporate existence of which expired by limitation, was not succeeded by any banking institution. Seven banks, with combined capital of $688,000, liquidated for the purpose of discontinuing business.

FAILURES AND SUSPENSIONS OF NATIONAL BANKS.

In the accompanying table will be found a list of the banks closed during the report year ended October 31, 1914, showing date that each bank was authorized to commence business, date of the appointment of the receiver, the capital stock and the circulation issued, redeemed, and outstanding of each bank listed.

Name and location of bank.	Charter No.	Date of authority to commence business.	Date of appointment of receiver.	Capital stock.	Circulation.		
					Issued.	Redeemed.	Outstanding.
First National Bank, Sutton, Nebr.	3240	Aug. 25, 1884	Nov. 5, 1913	$25,000	$12,000	$5,455	$6,545
Mesa County National Bank, Grand Junction, Colo.	7766	May 31, 1905	Nov. 29, 1913	100,000	100,000	50,755	49,245
First National Bank, Clifton, Colo.	9875	Oct. 20, 1910	Nov. 29, 1913	25,000	12,500	6,535	5,965
Yates Center National Bank, Yates Center, Kans.	6326	July 1, 1902	Dec. 5, 1913	50,000	50,000	22,380	27,620
First National Bank, Bayonne, N. J.	8454	Dec. 5, 1906	Dec. 8, 1913	100,000	98,300	70,825	27,475
First National Bank, Elizabeth, Pa.	5114	Mar. 19, 1898	Dec. 19, 1913	50,000	50,000	21,830	28,170
American National Bank, Caldwell, Idaho.	9333	Feb. 2, 1909	Dec. 3, 1913	50,000	48,600	24,785	23,815
Marion National Bank, Marion, Kans.[1]	7911	Sept. 15, 1905	Jan. 12, 1914	25,000	.....	.....	.....
First National Bank, Superior, Nebr.	3529	July 8, 1886	Jan. 12, 1914	60,000	49,100	11,450	37,650
Barnesville National Bank, Barnesville, Minn.	6098	Jan. 18, 1902	Jan. 14, 1914	25,000	25,000	13,840	11,160
First National Bank, Pensacola, Fla.	2490	Aug. 10, 1880	Jan. 22, 1914	500,000	489,900	254,135	235,765
Americus National Bank, Americus, Ga.	8305	July 14, 1906	Feb. 3, 1914	100,000	100,000	56,240	43,760
First National Bank, Gallatin, Tenn.[1]	4236	Feb. 17, 1890	Mar. 25, 1914	50,000	.....	.....	.....
First National Bank, Wyalusing, Pa.	5339	May 8, 1900	Mar. 28, 1914	25,000	25,000	9,790	15,210
First National Bank, London, Ky.	3943	Nov. 28, 1888	Apr. 9, 1914	50,000	49,200	16,190	33,010
First National Bank, Corning, Iowa.	2936	Apr. 26, 1883	June 22, 1914	50,000	49,995	8,950	41,045
First National Bank, Johnston City, Ill.	7458	Oct. 29, 1904	Aug. 17, 1914	50,000	49,297	5,050	44,247
First National Bank, Sutton, W. Va.	6213	Apr. 17, 1902	Aug. 29, 1914	50,000	50,000	2,050	47,950
American National Bank, Pensacola, Fla.	5603	Oct. 22, 1900	Sept. 2, 1914	300,000	257,997	15,800	242,197
United States National Bank, Centralia, Wash.	8736	June 10, 1907	Sept. 21, 1914	100,000	99,997	2,900	97,097
First National Bank, West Elizabeth, Pa.	6373	Aug. 9, 1902	Oct. 17, 1914	25,000	24,997	.....	24,997
Total (21 banks).	.....	.....	.....	1,810,000	1,641,883	598,960	1,042,923

[1] Restored to solvency.

From 1865, the date of the first failure of a national bank, to October 31, 1914, 552 national banks have been placed in the charge of receivers. Twenty-eight of these were, however, restored to solvency and permitted to reopen. The capital of the failed banks aggregated $91,905,920. The book or nominal value of assets administered by receivers under the supervision of this office was $372,411,517. The total cash realized from the liquidation of these assets aggregated $184,566,486. In addition to this amount there has been realized from assessments of $46,957,740 levied against stockholders the sum of $22,700,867, making total cash collections from all sources $207,267,353, which has been distributed as follows:

In dividends to creditors on claims proved, amounting to $197,150,074, the sum of.	$146,461,022
In payment of loans and other disbursements discharging liabilities of the bank other than those of the general creditors.	40,717,537

In payment of legal expenses incurred in the administration of such receiverships	$5,260,580
In payment of receivers' salaries and other expenses of receiverships	9,414,471
There has been returned to shareholders in rebates on assessments levied	3,479,099
Leaving a balance in the hands of the comptroller and the receivers of	1,934,644
Total	207,267,353

In addition to the funds distributed as above there has been to October 31, 1914, returned to agents for shareholders to be liquidated for their benefit assets having a nominal value of $14,375,443.

There are still in the charge of the receivers 56 insolvent national banks, the assets of which have a book or nominal value of $60,949,447. By process of liquidation up to October 31, 1914, the receivers have realized from these assets in cash $29,572,368 and have collected from the shareholders on account of assessments levied against them to cover deficiencies in assets the sum of $2,228,039, making total collections from all sources in the liquidation of current or active receiverships the sum of $31,800,407, which amount has been distributed as follows:

Dividends to creditors	$22,165,330
Loans paid and other disbursements discharging liabilities of the bank other than those of the general creditors	5,485,727
Legal expenses	611,767
Receivers' salaries and all other expenses of administration	1,082,580
Returned to shareholders on account of rebates on assessments	556,512
Leaving a balance in the hands of the comptroller and with the receivers of	1,898,491
Total	31,800,407

Collections from assets of the 496 national banks, the affairs of which have been finally closed, were $154,994,118 and from assessments levied against shareholders, $20,472,828, making total collections of $175,466,946, from which on claims proved aggregating $162,560,568 dividends were paid to the amount of $124,295,692. The average rate of dividends paid on claims proved was 76.46 per cent, but including offsets allowed, loans paid and other disbursements with dividends, creditors received on an average 82.81 per cent. Expenses of administration of these 496 trusts — that is, receivers' salaries, legal and other incidental expenses — amounted to $12,980,704, a sum equal to 4.16 per cent of the nominal value of assets and 7.39 per cent of the total collections from assets and from shareholders. The outstanding circulation of these banks at the date of failure was $24,066,807, secured by bonds on deposit in the Treasury of the face value of $26,198,900. Assessments against shareholders averaged 50.73 per cent of their holdings, the collections therefrom being 48.34 per cent of the assessments levied.

In the current year 40 dividends were paid to creditors of 33 insolvent banks, the total distribution being $4,585,651.

In the table following is summarized the condition of all insolvent national banks, the condition of the closed and active receiverships being shown separately.

	Closed receiverships, 496.[1]	Active receiverships, 56.	Total, 552.
Total assets taken charge of by receivers	$311,462,070	$60,949,447	$372,411,517
Disposition of assets:			
Offsets allowed and settled	24,846,351	4,793,875	29,640,226
Loss on assets compounded or sold under order of court	113,208,188	5,666,848	118,875,036
Nominal value of assets returned to stockholders	14,375,443		14,375,443
Nominal value of remaining assets	4,037,970	20,916,356	24,954,326
Collected from assets	154,994,118	29,572,368	184,566,486
Total	311,462,070	60,949,447	372,411,517
Collected from assets as above	154,994,118	29,572,368	184,566,486
Collected from assessment upon shareholders	20,472,828	2,228,039	22,700,867
Total collections	175,466,946	31,800,407	207,267,353
Disposition of collections:			
Loans paid and other disbursements	35,231,810	5,485,727	40,717,537
Dividends paid	124,295,692	22,165,330	146,461,022
Legal expenses	4,648,813	611,767	5,260,580
Receivers' salary and other expenses	8,331,891	1,082,580	9,414,471
Balance in hands of comptroller or receivers	36,153	1,898,491	1,934,644
Amount returned to shareholders in cash	2,922,587	556,512	3,479,099
Total	175,466,946	31,800,407	207,267,353
Capital stock at date of failure	83,460,920	8,445,000	91,905,920
Bonds at failure	26,198,900	5,133,250	31,332,150
Amount realized from sale of bonds	27,008,082	1,682,198	28,690,280
Circulation outstanding at failure	24,066,807	5,106,203	29,173,010
Amount of assessment upon shareholders	42,347,290	4,610,450	46,957,740
Claims proved	162,560,568	34,589,506	197,150,074

[1] Includes 28 banks restored to solvency.

* * * * * * *

REPORTS OF CONDITION OF ALL BANKS IN THE UNITED STATES.

Through the cooperation of the State bank superintendents this office is enabled to present, as required by section 333 of the Revised Statutes, statistics showing the condition of all reporting banks, State and national, in operation in the country as of June 30, 1914. Data from practically all incorporated banks in the United States and from a large percentage of private banking concerns are included in the tables which follow.

The banks furnishing statements for use in connection with this report number 26,765, being 772 more than reported in 1913.

The summary of reports received from the 26,765 banks for the current year shows aggregate resources of $26,971,398,030.96. The aggregate resources of the banks in 1913 were reported at $25,712,-163,599.48. The increase in resources in 1914 over 1913 is, therefore, $1,259,234,431.48.

The banks reporting as of June 30, 1914, include 7,525 national, 14,512 State, 634 mutual savings, 1,466 stock savings, 1,064 private banks, and 1,564 loan and trust companies.

Summary of reports of condition from 26,765 banks in the United States and island possessions (including national, State, savings, and private banks and loan and trust companies) showing their condition at the close of business June 30, 1914

RESOURCES.

Loans and discounts:		
Secured by unencumbered and improved farm land	$542,115,491.41	
Secured by other real estate	2,[illegible],814,140.58	
Secured by bonds or stocks	1,747,[illegible],060.98	
Secured by bonds, stocks, etc., demand	1,0[illegible],[illegible],40.00	
Secured by bonds, stocks, etc., time	1,[illegible],828,4[illegible]7.47	
Secured by collateral other than real estate or bonds and stocks	518,196,665.89	
One or more name paper, without collateral, time	1,679,900,554.50	
Two or more name paper, without collateral, time	2,[illegible],[illegible],475.00	
One or more name paper, without collateral, demand	[illegible],[illegible],[illegible].36	
Single name paper, without collateral, time	1,536,693,365.00	
All other loans	1,125,209,559.89	
Total		$15,288,357,283.98
Overdrafts		51,120,621.58
Investments:		
United States bonds (including insular possessions and District of Columbia bonds)	$823,45[illegible],765.69	
State, county, and municipal bonds	1,353,427,136.50	
Railroad bonds	1,675,303,719.47	
Other public-service bonds	583,946,117.09	
Bank stocks	78,439,075.05	
Railroad stocks	73,436,009.34	
Stocks not classified	43,708,679.00	
Other bonds, stocks, warrants, etc., not enumerated above, including bonds other than United States bonds to secure public deposits	953,213,584.34	
Total		5,584,924,886.48
Banking house and lot on which erected [1]		564,617,191.51
Furniture and fixtures		45,079,336.45
Other real estate owned		129,983,070.12
Due from national banks		2,222,152,927.29
Due from State banks, savings banks, and trust companies		650,544,297.97
Checks and other cash items		520,995,362.02
Cash on hand:		
Gold coin	$238,377,412.77	
Gold certificates [2]	674,609,820.00	
Silver coin	64,547,973.39	
Silver certificates	191,886,287.00	
Legal tender notes	250,248,831.00	
National bank notes	108,190,887.00	
Nickles and cents	7,612,118.49	
Cash not classified	103,745,833.14	
Total		1,639,219,162.79
Other resources		274,403,890.77
Total resources		26,971,398,030.96

LIABILITIES.

Capital stock paid in		2,132,074,073.20
Surplus		1,714,486,142.85
Undivided profits, including accrued interest and any other accounts set aside for special purposes, less current expenses, interest, and taxes paid		562,031,228.82
Due to national banks		1,134,403,839.32
Due to State banks, savings banks, and trust companies		1,570,671,527.82
Dividends unpaid		30,133,899.35
Deposits:		
Individual, subject to check without notice	$9,539,573,743.73	
Certificate of deposit payable on demand or within 30 days [3]	904,650,964.62	
Certificates of deposit payable after 30 days or after notice of not less than 30 days	1,402,597,810.07	
Certified checks	132,514,523.38	
Cashier's checks outstanding	137,984,796.53	
Savings deposits or deposits in interest or savings department subject to not less than 30 days' notice	6,400,411,040.68	
Total		18,517,732,879.01

[1] Includes furniture and fixtures in national banks.
[2] Includes $99,964,000 clearing house certificates.
[3] Includes $132,997,726.56 time certificates of deposit payable within 30 days.

NOTE.—The statements used in the compilations are uniform as to date and form, except those dated June 15 from [illegible] and 1911 from the Philippine Islands, in continuation of the investigation begun in 1909, when the plan of obtaining reports for uniform dates was inaugurated.

Abstracts of reports of condition for each class of banks arranged by States will be found in the appendix.

United States deposits		$66,654,582.55
Postal savings deposits		40,245,588.30
Notes and bills rediscounted		38,129,530.47
Bills payable, including certificates of deposit representing money borrowed		194,431,736.31
Bonds borrowed:		
United States bonds	$34,482,840.00	
Other bonds	10,513,762.66	
Total		44,996,602.66
National bank circulation outstanding		722,554,719.00
Other liabilities		202,851,681.30
Total liabilities		26,971,398,030.96

The leading items of resources and liabilities in the foregoing summary are: Loans and discounts, exclusive of overdrafts, $15,288,357,283.98; bonds, stocks, and other securities, $5,584,924,886.48; due from other banks and bankers, $2,872,697,225.26; cash on hand, $1,639,219,162.79; capital stock paid in, $2,132,074,073.20; surplus fund, $1,714,486,142.85; undivided profits, $562,031,228.82; individual deposits, $18,517,732,879.01; due to banks and bankers, $2,705,075,367.14. Postal savings deposits in all banks aggregated $40,245,588.30, and United States deposits in national banks, $66,654,582.55.

The following comparative statement shows the resources and liabilities of all reporting banks for each year from 1910 to 1914 inclusive:

Aggregate resources and liabilities of national and other reporting banks, 1910 to 1914.

Classification.	1910	1911	1912	1913	1914
	23,095 banks.	24,392 banks.	25,195 banks.	25,993 banks.	26,765 banks.
Resources.					
Loans and discounts	$12,459,427,783.78	$12,982,654,651.03	$13,892,150,639.00	$14,568,240,544.24	$15,288,357,283.98
Overdrafts	62,381,193.45	63,735,193.87	61,455,604.59	58,532,120.08	51,120,621.58
Bonds, stocks, and other securities	4,723,370,100.30	5,051,856,404.29	5,358,883,382.11	5,407,219,379.56	5,584,924,886.48
Due from other banks and bankers	2,393,008,260.76	2,788,772,572.47	2,847,992,843.93	2,776,613,692.19	2,872,697,225.26
Real estate, furniture, etc	574,231,671.01	616,693,997.78	657,299,660.36	695,507,828.00	739,679,598.08
Checks and other cash items	620,469,182.00	422,688,514.06	430,101,255.82	426,913,037.63	520,995,362.02
Cash on hand	1,423,808,814.37	1,554,147,169.28	1,572,953,479.43	1,560,709,447.05	1,639,219,162.79
Other resources	193,623,517.10	150,534,879.89	165,805,908.94	218,427,550.73	274,403,890.77
Total	22,450,320,522.77	23,631,083,382.67	24,986,642,774.18	25,712,163,599.48	26,971,398,030.96
Liabilities.					
Capital stock paid in	1,879,943,887.99	1,952,411,085.56	2,010,843,505.70	2,096,849,861.75	2,132,074,073.20
Surplus fund	1,547,917,181.08	1,512,083,859.93	1,584,981,106.44	1,676,625,895.34	1,714,486,142.85
Other undivided profits	404,649,006.90	553,490,979.77	581,178,042.47	573,213,465.32	562,031,228.82
Circulation (national banks)	675,632,565.00	681,740,513.00	708,690,593.00	722,125,024.00	722,554,719.00
Dividends unpaid	20,856,304.16	5,689,184.23	3,639,127.75	3,590,839.76	30,133,899.35
Individual deposits	15,283,396,254.35	15,906,274,710.27	17,024,067,606.89	17,475,764,134.81	18,517,732,879.01
Postal savings deposits				25,242,015.76	40,245,588.30
United States deposits	54,541,349.41	48,455,641.54	58,945,980.66	49,725,039.13	66,654,582.55
Due to other banks and bankers	2,225,380,795.62	2,621,054,947.82	2,632,635,075.58	2,584,231,078.90	2,705,075,367.14
Other liabilities	358,003,178.26	349,882,460.55	381,661,735.69	504,796,244.71	480,409,550.74
Total	22,450,320,522.77	23,631,083,382.67	24,986,642,774.18	25,712,163,599.48	26,971,398,030.96

The foregoing statistics show that the aggregate resources of the banks have increased from $22,450,320,522.77 in 1910 to $26,971,398,030.96 in the present year, a gain of $4,521,077,508.19, or about 20 per cent. The increase in aggregate bank resources during the past year has been $1,259,234,431.48, or about 4.90 per cent. The increase in 1913 over 1912 was $725,520,825, or 2.90 per cent.

Individual deposits since 1910 have increased from $15,283,396,254.35 to $18,517,732,879.01, a gain of $3,234,336,624.66, or 21 per cent. The increase in deposits during the past year has been $1,041,968,744.20, or 5.96 per cent.

For the purpose of comparison, the number of reporting banks, loans, resources, capital, and individual deposits for the fiscal years 1907 to 1914, inclusive, are shown in the following table:

[In millions of dollars.]

Year.	Number of banks.	Loans.[1]	Resources.	Capital.	Individual deposits.
1907	19,746	$10,763.9	$19,645.0	$1,690.8	$13,099.6
1908	21,346	10,438.0	19,583.4	1,757.2	12,784.5
1909	22,491	11,373.2	21,095.0	1,800.0	14,035.5
1910	23,095	12,521.8	22,450.3	1,880.0	15,283.4
1911	24,392	13,046.4	23,631.1	1,952.4	15,906.3
1912	25,195	13,953.6	24,986.6	2,010.8	17,024.0
1913	25,993	14,626.7	25,712.2	2,096.8	17,475.7
1914	26,765	15,339.5	26,971.4	2,132.1	18,517.7

[1] Includes overdrafts.

* * * * * * *

BANKING POWER OF THE UNITED STATES.

The banking power of the United States in 1914 as represented by capital, surplus and other profits, circulation and deposits of national and other reporting banks, together with the estimated amount of funds of this character in nonreporting banks, is $24,340,090,112 against $23,181,545,433 in 1913. The increase for the year was $1,158,544,679, or nearly 5 per cent. The details are set forth in the following table:

Banking power of the United States, June 30, 1914.

	Number.	Capital paid in.	Surplus and profits.	Deposits.[1]	National bank circulation.	Total.
National banks	7,529	$1,088,192,355	$891,422,131	$6,377,848,295	$722,554,719	$9,150,117,780
State, etc., banks	19,240	1,073,881,738	1,284,994,940	12,276,918,654	.....	14,635,795,330
Nonreporting banks [2]	3,246	64,376,000	44,475,000	445,326,000	.....	554,177,020
Total	30,011	2,226,450,093	2,320,992,371	19,100,092,949	722,554,719	24,340,090,112

[1] Includes dividends unpaid, postal savings deposits, and Government deposits. [2] Estimated.

CLASSIFICATION OF LOANS AND DISCOUNTS IN ALL BANKS.

Loans and discounts in the banks of the United States as shown by reports of condition for 1914 aggregated roundly, excluding overdrafts, $15,288,300,000. Of this amount $6,430,000,000 is in national

banks, and $8,858,300,000 in banks other than national. The classification of loans and discounts of banks other than national, and of national banks compiled from reports of condition as of June 30, 1914, is set forth in the following table:

Classification of loans and discounts in all reporting banks on June 30, 1914.

Classification.	14,512 State banks.	634 mutual savings banks.	1,466 stock savings banks.	1,064 private banks.	1,564 loan and trust companies.	7,525 national banks.	Total, 26,765 banks.
	Millions.	*Millions.*	*Millions.*	*Millions.*	*Millions.*	*Millions.*	*Millions.*
Secured by unencumbered and improved farm land	$258.7	$88.1	$81.7	$16.9	$96.7	.....	$542.1
Secured by other real estate	280.7	1,809.5	397.2	9.7	468.8	.....	2,965.9
Secured by bonds or stocks	312.4	123.6	63.7	4.3	1,213.9	.....	1,717.9
Secured by bonds, stocks, etc., demand	.....	.....	.....	.....	.....	$1,036.9	1,036.9
Secured by bonds, stocks, etc., time	.....	.....	.....	.....	.....	1,372.8	1,372.8
Secured by collateral other than real estate or bonds and stocks	310.4	17.8	26.9	9.7	153.4	.....	518.2
Two or more name paper without collateral, time	.....	.....	.....	.....	.....	2,066.7	2,066.7
One or more name paper without collateral, time	818.7	52.4	111.3	34.1	663.4	.....	1,679.9
One or more name paper without collateral, demand	168.8	11.3	21.8	9.6	97.6	616.9	926.0
Single-name paper without collateral, time	.....	.....	.....	.....	.....	1,336.7	1,336.7
All other loans [1]	730.1	21.2	127.1	38.9	207.9	.....	1,125.2
Total	2,879.8	2,123.9	829.7	123.2	2,901.7	6,430.0	15,288.3

[1] Overdrafts not included.

BANK INVESTMENTS IN BONDS AND OTHER SECURITIES.

Investments in bonds, securities, etc., of all banks, as shown by reports of condition for June 30, 1914, aggregated roundly $5,584,900,000 against $5,407,200,000 in 1913, the increase being $177,700,000. In the following table are shown the various classes of bonds, stocks, and other securities held by the several classes of banks on June 30, 1914.

Classification of investments in bonds, etc., held by all reporting banks of the United States on June 30, 1914.

[Expressed in millions.]

Classification.	State banks (14,512).	Mutual savings banks (634).	Stock savings banks (1,466).	Private banks (1,064).	Loan and trust companies. (1,564).	National banks (7,525).	All reporting banks (26,765).
United States bonds	$2.9	$17.1	$0.5	$0.3	$3.4	[1] $799.3	$823.5
State, county, and municipal bonds	90.7	847.9	24.1	3.9	210.8	176.0	1,353.4
Railroad bonds	76.6	846.0	13.6	2.1	395.3	341.7	1,675.3
Other public-service bonds	50.8	83.6	4.9	1.7	224.7	218.2	583.9
Bank stocks	7.7	24.7	1.0	.6	44.5	.....	78.5
Railroad stocks	3.6	17.6	1.1	.4	50.7	.....	73.4
Stocks not classified	.....	.....	.....	.....	.....	[2] 43.7	43.7
Unclassified bonds, securities, etc	156.0	18.6	103.5	7.3	331.9	335.9	953.2
Total	388.3	1,855.5	148.7	16.3	1,261.3	1,914.8	5,584.9

[1] Includes D. C. and island possession bonds.

[2] See note on p. 40.

MONEY IN ALL REPORTING BANKS.

During the current year there has been an increase of $78,509,715.74 in the cash holdings of all reporting banks. On June 4, 1913, the cash held by the banks was reported at $1,560,709,447.05, and on June 30, 1914, $1,639,219,162.79. Of the total amount held by the banks on the latter date, $1,022,563,615.78 was in national and $616,655,547.01 in other reporting banks. Coin and other money held by national banks, by other reporting banks, and by all reporting banks are shown in the following table:

Classification of cash in banks June 30, 1914.

Classification.	7,525 national banks.	19,240 State, etc., banks.	26,765 reporting banks.
Gold coin	$149,295,329.20	$89,082,083.57	$238,377,412.77
Gold certificates	[1] 476,567,740.00	198,042,080.00	674,609,820.00
Silver coin	35,897,645.41	28,650,327.98	64,547,973.39
Silver certificates	129,823,852.00	62,062,435.00	191,886,287.00
Legal tender notes	177,490,396.00	72,758,435.00	250,248,831.00
National bank notes	49,659,728.00	58,531,159.00	108,190,887.00
Nickels and cents	3,828,925.17	3,783,193.32	7,612,118.49
Cash not classified		103,745,833.14	103,745,833.14
Total	1,022,563,615.78	616,655,547.01	1,639,219,162.79

[1] Includes $99,964,000 clearing house certificates.

DISTRIBUTION OF MONEY IN THE UNITED STATES.

In the following table is shown the distribution of money in the United States giving the amount in the Treasury as assets, amount in reporting banks of the United States and elsewhere from 1892 to 1914, inclusive:

Year ended June 30—	Coin and other money in the United States.	Coin and other money in Treasury as assets.[1]		Coin and other money in reporting banks.[2]		Coin and other money not in Treasury or banks.			In circulation, exclusive of coin and other money in Treasury as assets.	
		Amount.	Per cent.	Amount.	Per cent.	Amount.	Per cent.	Per capita.	Amount.	Per capita.
	Millions.	*Millions.*		*Millions.*		*Millions.*			*Millions.*	
1892	$1,752.2	$150.9	8.60	$586.4	33.48	$1,014.9	57.92	$15.50	$1,601.3	$24.60
1893	1,738.8	142.1	8.17	515.9	29.68	1,080.8	62.15	16.14	1,596.7	24.06
1894	1,805.5	144.2	7.99	688.9	38.17	972.4	53.84	14.21	1,661.3	24.56
1895	1,819.3	217.4	11.95	631.1	34.96	970.8	53.36	13.89	1,601.9	23.24
1896	1,799.9	293.5	16.31	531.8	29.55	974.6	54.14	13.65	1,506.4	21.44
1897	1,906.7	265.7	13.93	628.2	32.94	1,012.8	53.13	13.87	1,641.0	22.92
1898	2,073.5	235.7	11.37	687.7	33.17	1,150.1	55.46	15.43	1,837.8	25.19
1899	2,190.0	286.0	13.06	723.2	33.02	1,180.8	53.92	15.51	1,904.0	25.62
1900	2,339.7	284.6	12.16	749.9	32.05	1,305.2	55.79	17.11	2,055.1	26.93
1901	2,483.1	307.8	12.39	794.9	32.02	1,380.4	55.59	17.75	2,175.3	27.98
1902	2,563.2	313.9	12.24	837.9	32.69	1,411.4	55.07	17.90	2,249.3	28.43
1903	2,684.7	317.0	11.80	848.0	31.59	1,519.7	56.61	18.88	2,367.7	29.42
1904	2,803.5	284.3	10.14	982.9	35.06	1,536.3	54.80	18.77	2,519.2	30.77
1905	2,883.1	295.2	10.24	987.8	34.27	1,600.1	55.49	19.22	2,587.9	31.08
1906	3,069.9	333.3	10.86	1,010.7	32.92	1,725.9	56.22	20.39	2,736.6	32.32
1907	3,115.6	342.6	11.00	1,106.5	35.51	1,666.5	53.49	19.36	2,773.0	32.22
1908	3,378.8	340.8	10.08	1,362.9	40.34	1,675.1	49.58	19.15	3,038.0	34.72
1909	3,406.3	300.1	8.81	1,444.3	42.40	1,661.9	48.78	18.68	3,106.2	34.93
1910	3,419.5	317.2	9.27	1,414.6	41.37	1,687.7	49.36	18.68	3,102.3	34.33
1911	3,555.9	341.9	9.61	1,545.5	43.46	1,668.5	46.93	17.75	3,214.0	34.20
1912	3,648.8	364.3	9.98	1,563.8	42.86	1,720.7	47.16	17.98	3,284.5	34.34
1913	3,720.0	356.3	9.58	1,552.3	41.73	1,811.4	48.69	18.61	3,363.7	34.56
1914	3,738.3	336.3	8.97	1,630.0	43.62	1,772.0	47.41	[3] 17.89	3,402.0	[3] 34.35

[1] Public money in national-bank depositaries to the credit of the Treasurer of the United States not included.
[2] Money in banks of island possessions not included.
[3] Population estimated at 99,027,000.

The general stock of money at the close of the fiscal year ended June 30, 1914, was $3,738,300,000, or $18,300,000 more than was reported in 1913. Of the total stock of money $336,300,000 or 8.97 per cent, was in the the Treasury as assets, $1,630,000,000, or 43.62 per cent in reporting banks in the United States, and $1,772,000,000, or 47.41 per cent outside the Treasury and banks; that is, in circulation among the people. The amount reported in circulation, exclusive of coin and other money in the Treasury as assets is $3,402,000,000, or $34.35 per capita.

Supplementary to the foregoing statement in relation to the distribution of money in the United States as shown by records for the year ended June 30, 1892 to 1914, the following information is submitted, based upon the records continued to the 1st of November. The stock of money of the country on this date was $4,055,483,117, of which gold coin including bullion in the Treasury aggregated $1,835,416,298, standard silver dollars $565,886,478, subsidiary silver $183,644,414, United States and Treasury notes $349,067,016, and national bank circulation $1,121,468,911. Money held in the Treasury as assets of the Government amounted to $339,960,811, leaving the amount in circulation $3,715,522,306, and as the amount in circulation on October 31, 1913, was $3,417,109,678 there has been an increase in the past year of $298,412,628. The principal increase was in bank circulation due to issues on the security of miscellaneous securities, the rise being from $722,616,240 to $1,093,519,080. The circulation statement shows a decrease in the amount of gold in circulation of some $57,700 000. There were no material changes in the volume of other kinds of currency. In connection with this statement it is interesting to note the reported exportations and importations of the precious metals in the 10 months of the current year ended with October. During that period the exports of gold aggregated $207,998,750, the imports $45,876,812, hence an excess of exports of $162,121,938. Silver to the amount of $42,452,890 was exported and $20,340,603 imported, the excess of exports being $22,112,287. For this period, therefore, the net exports of both metals were $184,234,225.

INDIVIDUAL DEPOSITS IN ALL BANKS IN THE UNITED STATES.

Individual deposits in all reporting banks on June 30, 1914, aggregated $18,517,732,879.01. In 1913 individual deposits were reported at $17,475,764,134.81. The increase during the last year was therefore $1,041,968,744.20, or 5.96 per cent.

The individual deposits in all reporting banks are classified as follows: Subject to check without notice, $9,539,573,743.73; certificates of deposit payable on demand or within 30 days, $904,650,964.62; certificates of deposit payable after 30 days or after notice of not less than 30 days, $1,402,597,810.07; certified checks, $132,514,523.38; cashiers' checks, $137,984,796.53; savings deposits, $6,400,411,040.68. For the purpose of comparison the following table is presented relative to the classification of deposits in each class of banks as shown by reports of condition as of June 30, 1914.

Classification of deposits in each class of banks as of June 30, 1914.

Classification.	Number of banks.	Individual deposits subject to check without notice.	Demand certificates of deposit.	Time certificates of deposit.	Certified checks.
Mutual savings banks	634	$360,264,56	$25,[illegible]16.72	$402,569.48	$1,593.50
Stock savings banks	1,166	150,[illegible]760.20	24,[illegible]83.[illegible]	[illegible],[illegible]858.59	1,127,860.85
State banks	14,512	1,790,340,430.53	203,116,956.15	506,846,658.47	27,984,852.09
Loan and trust companies	1,764	2,437,[illegible]885.34	147,[illegible]637.48	368,197,416.14	20,375,876.25
Private banks	1,064	67,895,929.05	25,462,307.94	25,328,797.06	762,328.80
Total, State, etc., banks	19,240	4,461,947,416.61	400,754,531.07	883,377,293.74	50,250,501.49
National banks	7,525	5,077,626,327.12	[1] 503,896,433.55	519,220,516.33	82,264,021.89
Grand total	26,765	9,539,573,743.73	[illegible],[illegible]64.62	1,402,597,810.07	132,514,523.38

Classification.	Cashiers' checks outstanding.	Savings deposits.	Total.
Mutual savings banks	$[illegible],[illegible]3.[illegible]	$[illegible],[illegible]0.[illegible]	$3,[illegible],[illegible]190.57
Stock savings banks	[illegible],[illegible]3.[illegible]	[illegible],[illegible]2.[illegible]	1,[illegible],[illegible]8.46
State banks	17,509,100.54	671,995,219.15	3,226,793,217.23
Loan and trust companies	31,138,042.16	1,034,906,721.87	3,939,807,098.44
Private banks	415,567.06	25,983,354.68	145,848,284.59
Total, State, etc., banks	[illegible],[illegible]6.[illegible]	[illegible],[illegible]1.[illegible]	12,[illegible],[illegible]9.29
National banks	85,685,130.83	[2]	6,268,692,429.72
Grand total	137,984,796.53	6,400,411,040.68	18,517,732,879.01

[1] Includes time certificates of deposit payable within 30 days.
[2] Latest available statistics, Mar. 4, 1914, $871,634,485.58.

SAVINGS DEPOSITS IN ALL BANKS.

Savings deposits in all reporting banks other than national in 1913 aggregated $6,147,592,232.21. For the current year savings deposits in banks other than national aggregate $6,400,411,040.68. In June, 1913, savings deposits in national banks were reported at $824,476,995.42. By reason of the provision of section 19 of the Federal reserve act dividing deposits in national banks into two classes, first, demand deposits, those payable within 30 days, and second, time deposits, those payable after 30 days, and savings accounts and certificates of deposit which are subject to not less than 30 days' notice before payment, there are no statistics available later than those contained in the abstracts of reports of condition for March 4, 1914, relating to the volume of savings deposits in national banks. On that date reported savings deposits were $871,634,485.58. By adding the figures as of March 4, 1914, for national banks to the savings deposits in banks other than national, on June 30, 1914, makes the aggregate savings deposits of all banks $7,272,045,526.26, or an increase of about $300,000,000 during the year. In addition to the foregoing the banks reported postal savings funds on deposit to the amount of $40,245,588.30.

STATE, SAVINGS, AND PRIVATE BANKS AND LOAN AND TRUST COMPANIES.

Reports have been received from over 98 per cent of the incorporated banks operating under State law and from the relatively usual number of private banks which can be prevailed upon to submit reports.

Summaries of the reports received for the current year from banks other than national show the condition on June 30, 1914, of 19,240 banks, or 720 more than reported in 1913. The aggregate resources of these banks are $15,489,207,260.36. In 1913, 18,520 banks other than national made reports, showing aggregate resources of $14,675,243,842.44. The increase in resources for the year is, therefore, shown to be $813,963,417.92. The returns for the current year include 14,512 State or commercial banks, 634 mutual savings banks, 1,466 stock savings banks, 1,064 private banks, and 1,564 loan and trust companies.

The statistics have been prepared from reports of condition as of June 30, 1914, with the exception as to date of those from Oklahoma (June 16). No banking data having been received from the Philippine Islands for the current year, the figures for 1913 have been used in this compilation.

A summary of the reports of conditions of the banks other than national is submitted herewith:

Summary of reports of condition of 19,240 banks other than national (State, savings, private banks, and loan and trust companies) in the United States at the close of business on June 30, 1914.

RESOURCES.		
Loans and discounts:		
Secured by unencumbered and improved farm land	$542,115,491.41	
Secured by other real estate	2,965,844,140.58	
Secured by bonds or stocks	1,717,936,060.98	
Secured by collateral other than real estate or bonds and stocks	518,196,665.89	
One or more name paper, without collateral, time	1,679,900,554.50	
One or more name paper, without collateral, demand	309,085,596.26	
All other loans	1,125,209,559.89	
Total		$8,858,288,069.51
Overdrafts		35,634,980.44
Investments:		
United States bonds	24,134,121.54	
State, county, and municipal bonds	1,177,409,723.50	
Railroad bonds	1,333,612,900.47	
Other public-service bonds	365,730,646.09	
Bank stocks	78,439,075.05	
Railroad stocks	73,436,009.34	
Other bonds, stocks, warrants, etc., not enumerated above	617,273,812.43	
Total		3,670,036,288.42
Banking house and lot on which erected		296,575,168.63
Furniture and fixtures		45,079,336.45
Other real estate owned		90,940,204.34
Due from national banks		1,022,899,654.36
Due from State banks, savings banks, and trust companies		458,622,615.49
Checks and other cash items		163,114,107.30
Cash on hand:		
Gold coin	89,082,083.57	
Gold certificates	198,042,080.00	
Silver coin	28,650,327.98	
Silver certificates	62,062,435.00	
Legal-tender notes	72,758,435.00	
National-bank notes	58,531,159.00	
Nickels and cents	3,783,193.32	
Cash not classified	103,745,833.14	
Total		616,655,547.01
Other resources		231,361,288.41
Total resources		15,489,207,260.36
LIABILITIES.		
Capital stock paid in		1,073,881,738.20
Surplus		991,147,876.35
Undivided profits, including accrued interest and any other accounts set aside for special purposes, less current expenses, interest, and taxes paid		293,847,063.64
Due to national banks		73,922,330.46
Due to State banks, savings banks, and trust companies		445,250,405.99
Dividends unpaid		11,473,678.84
Deposits:		
Individual, subject to check without notice	$4,461,947,416.61	
Certificates of deposit payable on demand or within 30 days	400,754,531.07	
Certificates of deposit payable after 30 days or after notice of not less than 30 days	883,377,293.74	

Deposits—Continued.		
Certified checks	$50,250,301.49	
Cashier's checks outstanding	52,299,065.70	
Savings deposits or deposits in interest or savings department subject to not less than 30 days' notice	6,400,411,040.68	
Total		$12,249,040,449.29
Postal-savings deposits		16,404,525.65
Notes and bills rediscounted		24,693,003.26
Bills payable, including certificates of deposit representing money borrowed		116,656,335.05
Bonds borrowed:		
United States bonds	$21,500.00	
Other bonds	1,488,072.17	
Total		1,509,572.17
Other liabilities		191,380,281.46
Total liabilities		15,489,207,260.36

The principal items of resources and liabilities for each class of banks other than national reporting as of June 30, 1914, are set forth in the following table:

Resources and liabilities of State, savings, private banks, and loan and trust companies, June 30, 1914.

	14,512 State banks.	634 mutual savings banks.	1,466 stock savings banks.
RESOURCES.			
Loans and discounts (including overdrafts)	$2,907,539,308.09	$2,123,921,774.88	$831,537,651.72
Bonds, securities, etc.	388,250,349.80	1,855,476,712.35	148,699,505.83
Banking house, furniture, and fixtures	130,958,748.28	39,678,148.65	28,739,513.07
Other real estate owned	27,682,674.77	13,196,801.91	6,467,052.66
Due from banks	527,715,913.72	171,832,579.89	113,758,484.72
Checks and other cash items	77,240,169.69	2,489,863.59	3,608,419.14
Cash on hand	261,919,122.81	23,987,453.11	43,812,040.12
All other resources	32,357,249.82	22,406,139.17	19,851,423.59
Total resources	4,353,663,536.98	4,252,989,474.05	1,196,474,090.85
LIABILITIES.			
Capital stock paid in	501,154,866.23		89,423,876.57
Surplus fund	213,801,744.73	280,095,122.94	39,250,606.98
Undivided profits	91,215,723.23	55,503,959.01	20,141,996.44
Due to banks	175,779,045.54	155,239.50	9,061,328.11
Dividends unpaid	3,744,903.29		560,347.48
Deposits (individual)	3,226,[illegible]	[illegible]	1,029,[illegible]
Postal-savings deposits	4,692,500.55	13,962.27	1,085,598.92
Notes and bills rediscounted	16,606,036.60		898,144.32
Bills payable	90,523,587.86	110,525.00	2,996,490.05
Other liabilities	29,351,911.72	1,484,474.76	12,090,043.52
Total liabilities	4,353,663,536.98	4,252,989,474.05	1,196,474,090.85

	1,064 private banks.	1,564 loan and trust companies.	Total, 19,240 banks.
RESOURCES.			
Loans and discounts (including overdrafts)	$125,172,879.31	$2,905,751,435.95	$8,893,923,049.95
Bonds, securities, etc.	16,264,591.79	1,261,345,128.15	3,670,036,288.42
Banking house, furniture, and fixtures	6,749,660.21	135,528,434.87	341,654,505.08
Other real estate owned	9,546,536.61	34,047,138.39	90,940,204.34
Due from banks	26,790,024.23	641,425,267.29	1,481,522,269.85
Checks and other cash items	1,787,484.03	77,988,170.85	163,114,107.30
Cash on hand	7,294,550.48	279,642,380.49	616,655,547.01
All other resources	2,943,394.02	153,803,081.81	231,361,288.41
Total resources	196,549,120.68	5,489,531,037.80	15,489,207,260.36
LIABILITIES.			
Capital stock paid in	21,101,746.66	462,201,248.74	1,073,881,738.20
Surplus fund	11,436,958.76	446,569,442.94	991,147,876.35
Undivided profits	3,147,609.67	123,837,775.29	293,847,063.64
Due to banks	2,545,436.62	331,631,686.68	519,172,736.45
Dividends unpaid	58,257.89	7,110,170.18	11,473,678.84
Deposits (individual)	145,848,284.59	3,939,807,098.44	12,249,040,449.29
Postal-savings deposits	65,950.92	10,546,512.99	16,404,525.65
Notes and bills rediscounted	621,474.95	6,567,347.39	24,693,003.26
Bills payable	3,764,107.75	19,261,624.39	116,656,335.05
Other liabilities	7,965,292.87	141,998,130.76	192,889,853.63
Total liabilities	196,549,120.68	5,489,531,037.80	15,489,207,260.36

For the purpose of comparison a statement giving the principal items of resources and liabilities of banks other than national, from 1910 to 1914, inclusive, is submitted herewith:

Consolidated returns from State, savings, private banks, and loan and trust companies.

Items.	1910	1911	1912	1913	1914
Loans[1]	$7,065,906,476.21	$7,412,153,800.11	$7,979,852,420.09	$8,464,738,379.36	$8,893,923,049.95
Bonds	3,111,409,758.78	3,289,468,093.00	3,497,602,404.25	3,517,530,597.54	3,670,036,288.42
Cash	558,355,958.16	556,985,728.23	576,810,655.97	591,607,515.60	616,655,547.01
Capital	890,376,773.99	932,777,933.31	977,272,830.70	1,039,930,069.75	1,073,881,738.20
Surplus and undivided profits	1,091,162,580.06	1,152,073,936.93	1,215,331,634.26	1,261,091,605.55	1,284,994,939.99
Deposits (individual)	9,996,179,942.15	10,428,283,553.82	11,198,606,443.53	11,522,302,583.69	12,249,040,449.29
Resources	12,553,695,826.04	13,248,034,688.36	14,124,878,897.03	14,675,243,842.44	15,489,207,260.36

[1] Including overdrafts.

STATE BANKS.

Reports from State banks (commercial banks) to the number of 14,512 have been received, showing capital of $501,154,866.23 and aggregate resources of $4,353,663,536.98. In 1913 reports were received from 14,011 State banks, with capital of $483,103,779 and aggregate resources of $4,143,052,802. The summary of reports includes 501 more banks than reported last year, with an increase of $18,051,087 in capital and $210,610,734 in resources. A summary of the reports submitted by the State banks shows loans aggregating $2,879,801,962.88, classified as follows:

Secured by unencumbered and improved farm lands	$258,678,028.06
Secured by other real estate	280,690,121.60
Secured by bonds or stocks	312,373,374.60
Secured by other collateral	310,413,064.58
One or more name paper without collateral (time loans)	818,697,468.76
One or more name paper without collateral (demand loans)	168,844,525.21
Loans unclassified	730,105,380.07
Total	2,879,801,962.88

In addition to the loans, overdrafts amounted to $27,737,345.21.

The investments in bonds, securities, etc., aggregate $388,250,349.80, classified as follows:

United States bonds	$2,896,803.10
State, county, and municipal bonds	90,698,068.55
Railroad bonds	76,576,525.95
Other public-service bonds	50,781,711.90
Bank stocks	7,684,701.31
Railroad stocks	3,608,820.40
Not classified	156,003,718.59
Total	388,250,349.80

Individual deposits are shown aggregating $3,226,793,217.23, classified as follows:

Subject to check, without notice	$1,799,340,430.83
Demand certificates of deposit	203,116,956.15
Time certificates of deposit	506,846,658.47
Certified checks	27,984,852.09
Cashier's checks outstanding	17,509,100.54
Savings deposits	671,995,219.15
Total	3,226,793,217.23

The surplus of State banks aggregated $213,801,744.73 and undivided profits $91,215,723.23.

SAVINGS BANKS.

In 1913 reports were received from 1,978 savings banks. For the present year reports to the number of 2,100 have been tabulated, 634 being from mutual institutions and 1,466 from stock savings banks, the latter class transacting both a savings and commercial bank business.

Deposits in these banks aggregated $4,936,591,849.03 and the depositors numbered 11,109,499, the average deposit account being $444.36. The 1,978 savings banks reporting in June, 1913, had deposits aggregating $4,727,403,950.79 to the credit of 10,766,936 depositors, the average deposit account being $439.07.

The following table shows the number of savings depositors, aggregate savings deposits, and average amount due depositors in savings banks in the States indicated on June 4, 1913, and June 30, 1914. These figures do not include the amount of savings deposits in savings departments of the State banks of Illinois nor of the savings deposits in so-called savings banks of Alabama, Arkansas, Ohio, Nebraska, and Oklahoma, as this information is shown in the statement for commercial banks for these States in another table. The stock savings banks of Michigan, classified as "commercial and savings banks" by the State Banking Department, have been included in this table. With these changes in classification, the statistics show an increase of 122 in the number of banks, 342,563 in the number of depositors, and $209,187,898.24 in the amount of deposits.

Number of savings depositors, aggregate savings deposits, and average amount due to each depositor in savings banks (mutual and stock savings) in each State on June 4, 1913, and June 30, 1914.

State.	1913 (1,978 banks).				1914 (2,100 banks).			
	Number of banks.	Number of depositors.	Amount of deposits.	Average to each depositor.	Number of banks.	Number of depositors.	Amount of deposits.	Average to each depositor.
Maine	48	286,279	$95,222,151.37	$403.01	48	240,604	$97,221,727.11	$404.07
New Hampshire	55	207,454	97,125,389.20	468.18	59	218,628	102,271,138.96	467.75
Vermont	21	115,481	49,777,631.00	431.05	21	117,584	52,939,223.30	450.22
Massachusetts	190	2,219,824	861,416,889.41	382.88	196	2,305,340	895,178,637.11	388.31
Rhode Island	15	146,599	79,861,946.13	544.95	15	148,285	82,237,169.66	554.59
Connecticut	84	616,530	306,428,726.95	497.02	83	622,852	313,273,629.22	502.96
New England States	413	3,572,128	1,489,835,704.36	417.07	422	3,653,291	1,543,121,525.30	422.39
New York	140	3,114,240	1,700,063,766.36	545.90	140	3,181,323	1,771,560,808.38	556.91
New Jersey	27	450,105	124,149,714.52	275.86	27	336,660	130,635,801.93	388.10
Pennsylvania	10	491,668	288,057,961.76	585.17	12	569,465	218,843,715.05	337.28
Delaware	2	34,035	11,524,125.30	338.61	2	34,176	12,054,855.18	352.73
Maryland	47	278,495	106,899,457.65	383.85	52	289,585	109,663,346.61	378.69
District of Columbia	17	65,065	10,423,273.69	160.20	18	80,424	10,978,723.68	136.52
Eastern States	243	4,333,608	2,161,418,548.62	498.76	251	4,422,273	2,253,737,250.83	509.63
Virginia	20	34,335	9,365,412.60	272.77	19	44,091	10,784,314.28	244.60
West Virginia	8	31,185	5,289,964.69	198.01	8	31,821	5,532,126.21	173.83
North Carolina	26	44,061	7,559,221.43	171.56	28	56,199	10,338,466.24	183.96
South Carolina	26	38,385	10,699,946.24	278.75	26	36,178	10,873,392.70	300.56
Georgia	28	51,754	12,397,318.85	239.54	30	54,748	12,491,635.49	228.17
Florida	5	7,011	1,503,382.10	214.39	5	9,506	1,580,615.57	166.27
Alabama	11	36,285	3,309,933.09	91.22	(1)	(1)	(1)	
Mississippi	17	16,092	4,521,451.35	280.97	17	15,331	4,908,623.09	320.20
Louisiana	11	131,676	21,780,873.22	165.41	9	63,165	17,650,883.22	279.44

[1] Included with statistics for commercial banks.

Number of savings depositors, aggregate savings deposits, and average amount due to each depositor in savings banks (mutual and stock savings) in each State on June 4, 1913, and June 30, 1914—Continued.

State.	1913 (1,978 banks).				1914 (2,100 banks).			
	Number of banks.	Number of depositors.	Amount of deposits.	Average to each depositor.	Number of banks.	Number of depositors.	Amount of deposits.	Average to each depositor.
Arkansas	6	11,375	$2,283,872.11	$200.78	(1)	(1)	(1)	.....
Kentucky	15	42,507	5,958,503.35	140.18	17	46,802	$7,361,257.19	$157.29
Tennessee	20	45,352	11,894,627.84	262.27	31	72,843	16,079,166.58	220.75
Southern States	193	490,318	96,561,206.87	196.94	190	430,687	97,600,489.57	226.62
Ohio	67	331,489	118,264,835.52	356.78	[2] 3	117,695	64,580,398.28	548.69
Indiana	5	33,650	13,056,514.48	388.01	5	34,445	13,249,197.25	384.65
Michigan	27	189,445	83,992,499.27	443.36	190	544,898	174,138,267.66	319.58
Wisconsin	22	76,414	25,062,555.15	327.98	24	81,296	27,862,359.52	330.53
Minnesota	11	116,031	30,977,493.09	266.98	10	144,568	32,829,622.43	227.08
Iowa	759	590,763	210,697,716.70	356.65	791	607,878	217,038,520.92	357.03
Middle Western States	891	1,337,783	482,051,614.21	360.34	1,023	1,533,780	529,698,366.06	345.37
North Dakota	2	4,350	838,939.81	207.15	2	4,690	910,102.06	194.05
Nebraska	21	20,584	3,197,030.75	155.32	(1)	(1)	(1)	.....
Kansas	13	20,240	4,689,387.00	231.69	11	24,318	4,474,626.32	183.99
Montana	2	5,282	2,762,311.50	522.97	2	5,644	2,246,869.17	398.10
Wyoming	3	2,291	856,750.74	373.96	3	8,695	1,073,810.93	123.50
Colorado	6	8,496	2,255,072.64	265.43	6	8,950	2,213,706.79	247.34
New Mexico	9	5,490	1,133,975.81	206.55	11	4,519	1,007,365.97	222.92
Oklahoma	2	2,189	334,546.83	152.83	(1)	(1)	(1)	.....
Western States	58	68,622	16,068,015.08	234.15	35	56,816	11,926,481.24	209.91
Washington	10	27,198	10,123,018.52	372.20	15	58,507	19,053,871.31	325.67
Oregon	14	38,152	13,891,787.56	364.12	9	15,493	5,668,193.35	365.93
California	136	841,780	440,656,006.34	523.48	137	876,663	458,215,671.00	522.68
Idaho	3	1,310	235,103.86	179.47	1	973	194,836.38	200.24
Utah	13	51,366	13,626,837.36	265.29	13	55,638	14,085,750.35	253.16
Nevada	1	1,710	1,336,178.98	781.39	1	1,789	1,475,197.14	824.59
Arizona	3	2,961	1,596,929.03	539.33	3	3,589	1,814,225.50	505.50
Pacific States	180	964,477	481,465,861.65	499.20	179	1,012,652	500,507,745.03	494.26
United States	1,978	10,766,936	4,727,403,950.79	439.07	2,100	11,109,499	4,936,591,849.03	444.36

[1] Included with statistics for commercial banks.
[2] Mutual savings banks only.

NOTE 1.—The compilation for 1913 includes statements, as of June 4, from 623 mutual savings banks and 1,355 stock savings banks. Many of the stock savings banks receive commercial deposits and included with the figures for such banks for 1913 are $139,357,070.69 reported as subject to check without notice to the credit of 494,377 depositors. Savings bank reports from Virginia include 5 trust and savings banks; from Georgia 3 savings and trust companies; from Kentucky 6 trust and savings banks. Figures for Iowa are from official statement, as of June 28; statistics for California include figures for savings departments for commercial banks, but not the number of such departmental banks. Depositors for the following number of banks for the States named have been estimated: 1 in North Carolina, 1 in Nebraska, 1 in Colorado, 1 in New Mexico, 1 in Nevada, 2 in Maryland, 2 in Virginia, 2 in Michigan, 3 in Alabama, 3 in Louisiana, 3 in Kansas, 3 in Washington, 4 in West Virginia, 6 in Mississippi, and 76 in Iowa. Figures for 1913 include $931,183.11 postal savings in stock savings banks.

NOTE 2.—The compilation for 1914 includes 634 mutual savings banks and 1,466 stock savings banks. Included with the figures for 1914 are $157,172,071.19 reported as subject to check without notice; $24,461,209.50 demand certificates of deposit and $1,366,000.29 certified checks and cashier's checks outstanding. Statistics for California include figures for savings departments of commercial banks, but not the number of such departmental banks. Depositors for the following number of banks for States named have been estimated: 1 each in New Hampshire, New York, New Jersey, Virginia, Minnesota, Kansas, Wyoming, Colorado, Utah, and Arizona; 2 in Minnesota; 3 in Connecticut and Kentucky; 4 in Maine, West Virginia, and Wisconsin; 5 in Massachusetts; 6 in South Carolina; 7 in Georgia; 8 in Maryland and North Carolina; 12 in Michigan; 198 in Iowa; 2 in Louisiana. Depositors in California savings banks estimated. So-called stock savings banks of Ohio are included with commercial banks. Michigan "commercial and savings" banks are included in this table.

The deposits in savings banks are classified as follows:

Individual deposits subject to check, without notice	$157,172,071.19
Certificates of deposit payable on demand or within 30 days	24,461,209.50
Certificates of deposit payable after 30 days or after notice of not less than 30 days	83,066,423.07
Certified checks and cashier's checks outstanding	4,366,400.29
Actual savings deposits	4,667,525,744.98
Total	4,936,591,849.03

The reports show that State (commercial) banks hold savings deposits aggregating $671,995,219.15; loan and trust companies, $1,034,906,721.87; and private banks $25,983,354.68; making a total for all reporting banks other than national of $6,400,411,040.68.

The growth of savings banks in the United States from 1820 to 1914, as evidenced by the amount of deposits, number of depositors, average deposit account, and the average per capita in census years from 1820 to 1890, and annually thereafter, is shown in the following table:

Number of savings banks in the United States, number of depositors, amount of savings deposits, average amount due each depositor in the years 1820, 1825, 1830, 1835, 1840, and 1845 to 1914, and average per capita in the United States in the years given.

Year.	Number of banks.	Number of depositors.	Deposits.	Average due each depositor.	Average per capita in the United States.
1820	10	8,635	$1,138,576	$131.86	$0.12
1825	15	16,931	2,537,082	149.84	
1830	36	38,035	6,973,304	183.33	.54
1835	52	60,058	10,613,726	176.73	
1840	61	78,701	14,051,520	178.54	.82
1845	70	145,206	24,506,677	168.77	
1846	74	158,709	27,374,325	172.48	
1847	76	187,739	31,627,479	168.46	
1848	83	199,764	33,087,488	165.62	
1849	90	217,318	36,073,924	166.03	
1850	108	251,354	43,431,130	172.78	1.87
1851	128	277,148	50,457,913	182.08	
1852	141	308,863	59,467,453	192.54	
1853	159	365,538	72,313,696	197.87	
1854	190	396,173	77,823,906	196.44	
1855	215	431,602	84,290,076	195.29	
1856	222	487,986	95,598,230	195.90	
1857	231	490,428	98,542,968	200.97	
1858	245	538,840	108,438,287	201.24	
1859	259	622,556	128,657,901	206.66	
1860	278	693,870	149,277,504	215.13	4.75
1861	285	694,487	146,729,882	211.27	
1862	289	787,943	169,434,540	215.03	
1863	293	887,096	206,235,202	232.48	
1864	305	976,025	236,280,401	242.08	
1865	317	980,844	242,619,382	247.35	
1866	336	1,067,061	282,455,794	264.70	
1867	371	1,188,202	327,009,452	283.63	
1868	406	1,310,144	392,781,813	299.80	
1869	476	1,466,684	457,675,050	312.04	
1870	517	1,630,846	549,874,358	337.17	14.26
1871	577	1,902,047	650,745,442	342.13	
1872	647	1,992,925	735,046,805	368.82	
1873	669	2,185,832	802,363,609	367.07	
1874	693	2,293,401	864,556,902	376.98	
1875	771	2,359,864	924,037,304	391.56	
1876	781	2,368,630	941,350,255	397.42	
1877	675	2,395,314	866,218,306	361.63	
1878	663	2,400,785	879,897,425	366.50	
1879	639	2,268,707	802,490,298	353.72	
1880	629	2,335,582	819,106,973	350.71	16.33
1881	629	2,528,749	891,961,142	352.73	
1882	629	2,710,354	966,797,081	356.70	
1883	630	2,876,438	1,024,856,787	356.29	
1884	636	3,015,151	1,073,294,955	355.96	
1885	646	3,071,495	1,095,172,147	356.56	

Number of savings banks in the United States, number of depositors, amount of savings deposits, average amount due each depositor in the years 1820, 1825, 1830, 1835, 1840, and 1845 to 1914, and average per capita in the United States in the years given—Continued.

Year.	Number of banks.	Number of depositors.	Deposits.	Average due each depositor.	Average per capita in the United States.
1886	638	3,158,950	$1,141,530,578	$361.36	.....
1887	684	3,418,013	1,235,247,371	361.39	.....
1888	801	3,838,291	1,364,196,550	355.41	.....
1889	849	4,021,523	1,425,230,349	354.40	.....
1890	921	4,258,893	1,524,844,506	358.03	$24.35
1891	1,011	4,533,217	1,623,079,749	358.04	25.29
1892	1,059	4,781,805	1,712,769,026	358.20	26.11
1893	1,030	4,830,599	1,785,150,957	369.55	26.63
1894	1,024	4,777,687	1,747,961,280	365.86	25.53
1895	1,017	4,875,519	1,810,597,023	371.36	25.88
1896	988	5,065,494	1,907,156,277	376.50	26.68
1897	980	5,201,132	1,939,376,035	372.88	26.56
1898	979	5,385,746	2,065,631,298	383.54	27.67
1899	987	5,687,818	2,230,366,954	392.13	29.24
1900	1,002	6,107,083	2,449,547,885	401.10	31.78
1901	1,007	6,358,723	2,597,094,580	408.30	33.45
1902	1,036	6,666,672	2,750,177,290	412.53	34.89
1903	1,078	7,035,228	2,935,204,845	417.21	36.52
1904	1,157	7,305,443	3,060,178,611	418.89	37.52
1905	1,237	7,696,229	3,261,236,119	423.74	39.17
1906	1,319	8,027,192	3,482,137,198	433.79	41.13
1907	1,415	8,588,811	3,690,078,945	429.64	42.87
1908	1,453	8,705,848	3,660,553,945	420.47	41.84
1909	1,703	8,831,863	3,713,405,710	420.45	41.75
1910	1,759	9,142,908	4,070,486,246	445.20	45.05
1911	1,884	9,794,647	4,212,583,598	430.09	44.82
1912	1,922	10,010,304	4,451,818,522	444.72	46.53
1913	1,978	10,766,936	4,727,403,950	439.07	48.56
1914 [1]	2,100	11,109,499	4,936,591,849	444.35	49.85

[1] Population estimated at 99,027,000. Savings deposits in all banks other than national on June 30, 1914, aggregated $6,400,411,040; in national banks on Mar. 4, 1914, $871,634,485.

In the statements for 1896 to 1908, inclusive, but not subsequently, are the number of depositors and amount of deposits in the State banks of Illinois having savings departments, but not the number of such banks, by reason of the fact that general returns from these institutions are incorporated in State bank returns. The savings deposits in savings departments of Illinois State banks and trust companies were reported officially on July 1, 1914, at $310,828,833.91.

MUTUAL SAVINGS BANKS.

Reports were received as of June 30, 1914, from 634 mutual savings banks, with $3,915,626,190.57 deposits, credited to 8,277,359 depositors, the average deposit account being $473.05. In June, 1913, reports were received from 623 mutual savings banks with deposits of $3,769,555,330.59, credited to 8,101,238 depositors, the average deposit account being $465.31. There has been an increase of 11 over the number of banks reporting in 1913. The increase in deposits during the year was $146,070,859.98, and in number of depositors 176,121.

The resources of the mutual savings banks aggregated $4,252,989,474.05, classified as follows:

Loans, including overdrafts	$2,123,921,774.88
Bonds, securities, etc	1,855,476,712.85
Banking houses, furniture, and fixtures	39,678,148.65
Other real estate	13,196,801.91
Amount due from national banks	73,825,900.56

Amount due from State, etc., banks	$98,006,679.33
Checks and cash items	2,489,863.59
Cash in bank	23,987,453.11
Resources not classified	22,406,139.17
Total	4,252,989,474.05

The liabilities of mutual savings banks are classified as follows:

Surplus	$280,095,122.94
Undivided profits	55,503,959.01
Amount due to national banks	123,454.99
Amount due to State, etc., banks	31,784.51
Individual deposits	3,915,626,190.57
Other liabilities (including postal savings, $13,962.27, and bills payable, $110,525)	1,608,962.03
Total	4,252,989,474.05

Mutual savings banks are confined chiefly to manufacturing centers and towns of the New England and Eastern States, there being only 23 reporting institutions of this character in other sections of the country, viz: 1 in West Virginia, 3 in Ohio, 5 in Indiana, 5 in Wisconsin, 8 in Minnesota, and 1 in California.

The average rate of interest paid to depositors in mutual savings banks in 1914 was 3.86 per cent, against 3.94 per cent in 1913. The highest rate is paid by the West Virginia bank, 4.5 per cent, and the lowest average by the banks in Pennsylvania, 3.57 per cent. An average rate of 4 per cent is paid depositors in mutual savings banks in Massachusetts, Rhode Island, Delaware, Indiana, and California. The average rate paid by mutual savings banks in the New England States is 3.90 per cent, in the Eastern States 3.70 per cent, in the Middle Western States 3.78 per cent, and by the one bank in California 4 per cent.

The following table shows the number of depositors in mutual savings banks, the aggregate savings deposits, and the average amount due depositors in the States indicated on June 4, 1913, and June 30, 1914:

Number of mutual savings banks, number of depositors, aggregate deposits, and average deposit account, by States, June 4, 1913, and June 30, 1914.

State.	1913				1914			
	Number of banks.	Number of depositors.	Amount of deposits.	Average to each depositor.	Number of banks.	Number of depositors.[1]	Amount of deposits.	Average to each depositor.
Maine	48	236,279	$95,222,151.37	$403.01	48	240,604	$97,221,727.11	$404.07
New Hampshire	46	189,863	90,417,174.49	476.22	49	200,325	95,122,656.68	474.84
Vermont	21	115,481	49,777,631.00	431.05	21	117,584	52,939,223.30	450.22
Massachusetts	190	2,249,824	861,416,889.41	382.88	196	2,305,340	895,178,637.11	388.30
Rhode Island	15	146,500	79,804,916.43	544.93	15	148,283	82,237,169.60	554.59
Connecticut	84	616,530	306,428,726.95	497.02	83	622,852	313,273,629.22	502.96
Total	404	3,554,537	1,483,127,489.65	417.25	412	3,634,988	1,535,973,043.02	422.56
New York	140	3,114,240	1,700,063,766.36	545.90	140	3,181,023	1,771,560,808.38	556.91
New Jersey	26	318,103	111,780,732.56	351.40	26	303,644	117,084,149.86	385.59
Pennsylvania	10	491,668	208,057,915.06	423.17	12	500,465	218,813,715.05	437.28
Delaware	2	34,035	11,524,425.34	338.60	2	34,176	12,054,855.18	352.75
Maryland	18	239,379	97,031,254.04	405.35	19	246,870	97,892,825.55	396.49
Total	196	4,197,425	2,128,458,093.36	507.09	199	4,266,178	2,217,436,354.02	519.53

[1] Number of depositors estimated for 4 banks in Maine, 5 in Massachusetts, 3 in Connecticut, 1 in New York, 1 in New Jersey, and 2 in Minnesota.

Number of mutual savings banks, number of depositors, aggregate deposits, and average deposit account, by States, June 4, 1913, and June 30, 1914—Continued.

State.	1913				1914			
	Number of banks.	Number of depositors.	Amount of deposits.	Average to each depositor.	Number of banks.	Number of depositors.	Amount of deposits.	Average to each depositor.
West Virginia	[1] 1	5,817	$1,491,968.14	$256.48	1	5,964	$1,522,350.79	$255.42
Total	1	5,817	1,491,968.14	256.48	1	5,964	1,522,350.79	255.42
Ohio	4	122,460	64,486,440.75	526.59	3	117,695	64,580,398.28	548.70
Indiana	5	33,650	13,056,514.48	388 01	5	34,445	13,249,197.25	384.64
Wisconsin	4	8,190	1,964,506.36	239.86	5	8,100	2,107,386.29	260.17
Minnesota	8	93,880	23,217,219.58	247.37	8	124,626	25,634,886.36	205.69
Total	21	258,180	102,724,681.17	397.88	21	284,866	105,571,868.18	370.60
California	1	85,279	53,753,098.27	630.32	1	85,363	55,122,574.56	645.74
Total	1	85,279	53,753,098.27	630.32	1	85,363	55,122,574.56	645.74
Grand total	623	8,101,238	3,769,555,330.59	465.31	634	8,277,359	3,915,626,190.57	473.05

[1] July 5.

STOCK SAVINGS BANKS.

Stock savings banks to the number of 1,466 furnished reports as of June 30, 1914. A large number of so-called savings banks transact chiefly a commercial business and carry very few savings accounts. In those States where savings-bank reports are not separately compiled by the State banking departments but classified with commercial banks, care has been exercised in eliminating from the classification made by this office all so-called savings banks which are chiefly banks of discount and deposit, transacting only a minimum of savings-bank business. Some difficulty is experienced in making the classification uniform throughout, but this difficulty can not be entirely overcome until the State banking departments of every State shall make a separate classification of reports for this class of banks.

In California a large number of the banks are known as departmental banks, which make separate reports to the banking department of that State for each class of business, i. e., for their commercial, trust, and savings-bank departments. The figures for California, therefore, include the resources and liabilities of savings banks and savings departments of other banks.

The banks of Michigan, known as "commercial and savings banks," have been classified with stock savings banks. A large number of commercial banks in Ohio use the word "savings" in their title, but these banks have been classified with the commercial banks by reason of their relatively limited holdings of savings deposits

The capital stock of the 1,466 reporting stock savings banks amounts to $89,423,876.57, against $84,837,733.59 for 1,355 banks reporting last year. Their loans aggregate $829,626,249.72, and are classified as follows: Secured by unencumbered and improved farm land $81,687,839.74; secured by other real estate, $397,148,757.22; secured by bonds and stocks, $63,654,596.86; secured by other collateral, $26,975,376.20; time loans without collateral, $111,304,613.25; demand loans without collateral, $21,801,526.69; loans unclassified,

$127,053,539.76. Overdrafts amounted to $1,911,402. Investments in bonds, securities, etc., including premiums, aggregate $148,699,505.83, classified as follows: United States bonds, $521,088.75; State, county, and municipal bonds, $24,062,789.82; railroad bonds, $13,619,458.71; other public-service bonds, $4,923,590.42; bank stocks, $966,252.63; railroad stocks, $1,101,264.60; all other bonds, stocks, warrants, etc., $103,505,060.90. The reports show cash in bank amounting to $13,812,040.12; amount due from national banks, $89,490,733.49; and from banks other than national, $24,267,751.23. Aggregate resources were $1,196,474,090.85; surplus and profits, $59,392,603.42; individual deposits, $1,020,965,658.46; and postal savings deposits, $1,085,598.92. The individual deposits include savings deposits, $752,785,914.16; time certificates of deposit, $82,662,853.59; and deposits payable on demand, $185,516,890.71.

The depositors in stock savings banks number 2,832,140, of which 2,228,020 are savings depositors and 604,120 have commercial accounts.

PRIVATE BANKS.

Reports for the current year were received from 1,064 private banks, against 1,016 reporting in 1913. There are between 3,000 and 4,000 private banking concerns and brokerage houses in the country, but less than one-half of the number in operation furnished reports.

Private banks appear to be most numerous in the Middle Western States, as over 76 per cent of those reporting are located in that section. Reports were received from 811 private banks in the Middle Western States, 88 from the Eastern States, 78 from the Western States, 73 from the Southern States, and 14 from the Pacific States. States from which the largest number reported were Illinois, 224; Ohio, 196; and Indiana, 189.

The capital of the 1,064 reporting private banks aggregates $21,101,746.66. In 1913 reports were obtained from 1,016 private banks with capital of $19,601,717.94. The principal items of resources and liabilities of the reporting private banks are as follows: Loans, exclusive of overdrafts, $123,189,800.10; bonds, securities, etc., $16,264,591.79; due from banks, $26,790,024.23; cash on hand, $7,294,550.48; total resources, $196,549,120.68. The capital stock was reported at $21,101,746.66; surplus, $11,430,958.76; undivided profits, $3,147,609.67; due to banks, $2,545,436.62; and individual deposits, $145,848,284.59.

LOAN AND TRUST COMPANIES.

In compiling the statistics relating to loan and trust companies, as far as possible those concerns which are trust companies in name only banks transacting no trust business have been excluded from the summary which follows, but are included with the statistics for commercial banks.

Reports as of June 30, 1914 (except one from Nevada, 1913), were received from 1,564 loan and trust companies, with capital of $462,201,248.71 and aggregate resources of $5,489,531,637.80. In 1913 reports were received from 1,515 loan and trust companies, with

capital of $452,386,839.67 and aggregate resources of $5,123,920,197.46, being an increase in the number of reporting companies of 49, and in aggregate resources of $365,610,840.34.

There are 208 institutions of this character in the New England States, 517 in the Eastern States, 352 in the Southern States, 364 in the Middle Western States, 61 in the Western States, and 62 in the Pacific States.

The loans and discounts of loan and trust companies aggregate roundly $2,961,748,000, classified in round amounts as follows: Secured by improved and unencumbered farm land, $96,676,000; secured by other real estate, $468,759,000; secured by stocks and bonds, $1,213,946,000; secured by other collateral, $153,420,000; time loans on one or more name paper, without collateral, $663,356,000; demand loans on one or more name paper, without collateral, $97,618,000; and unclassified loans, $267,973,000, exclusive of overdrafts, $4,002,918.23. Investments in bonds, securities, etc., including premiums, aggregating $1,261,345,000, are classified as follows: United States bonds, $3,396,000; State, county, and municipal bonds, $210,818,000; railroad bonds, $395,314,000; other public-service bonds, $224,716,000; bank stocks, $44,491,000; railroad stocks, $50,747,000; and unclassified bonds, stocks, warrants, etc., $331,863,000. The amount reported as due from national banks was $466,859,000, and from other banks, $180,566,000; invested in banking houses, $124,189,000; furniture and fixtures, $11,339,000; other real estate owned, $34,047,000. Loan and trust companies had surplus amounting to $446,569,000 and undivided profits of $123,838,000, individual deposits aggregating $3,939,807,000, classified as follows: Subject to check, without notice, $2,437,539,000; certificates of deposit, payable on demand or within 30 days, $147,714,000; time certificates of deposit, payable after 30 days or after notice of not less than 30 days, $268,135,000; certified checks and cashier's checks, $51,512,000; and savings deposits, $1,034,907,000.

Comparing the principal items of resources and liabilities with those submitted in 1913, loans (including overdrafts) show an increase of $138,405,000; investments, $70,325,000; capital, $9,814,000; individual deposits, $368,446,000, while the cash on hand shows a decrease of $5,742,435, and surplus and profits a decrease of $3,962,020.

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BANKS AND BANKING IN THE ISLAND POSSESSIONS.

Reports as of June 30, 1914, were received from 11 banking institutions other than national in operation in the Territory of Hawaii, against 9, with aggregate resources of $12,283,695, reporting in 1913. A summary of the principal items of resources and liabilities for these banks is as follows: Loans and discounts, $9,757,274.99; overdrafts, $1,044,790.11; investments in bonds, securities, etc., $3,144,689.10; real estate, banking houses, furniture, and fixtures, $485,172.94; due from banks, $1,941,211.20; checks and other cash items, $233,048.23; cash in bank, $2,368,278.27; other resources, $624,043.23; aggregate resources, $19,598,508.07; capital stock paid

in, $3,020,000; surplus and profits, $1,208,908.74; due to banks, $703,832.92; dividends unpaid, $3,567; individual deposits, $14,257,668; other liabilities, $404,531.43. There were five national banks in Hawaii, with capital of $655,000 and aggregate resources on June 30, 1914, of $4,093,875.56. Statistics for these banks appear elsewhere in this report.

Fifteen banking institutions in the Island of Porto Rico submitted reports as of June 30, 1914. A summary of resources and liabilities of these banks is as follows: Loans, $8,166,128.35; overdrafts, $38,060; investments in bonds, securities, etc., $1,553,514.78; real estate, banking houses, and furniture and fixtures, $373,041.80; due from banks, $4,114,827.32; checks and other cash items, $688,758.69; cash in bank, $2,620,808.45; other resources, $195,869.29; aggregate resources, $17,751,008.68; capital stock paid in, $2,236,984.92; surplus and profits, $1,000,910.63; due to banks, $2,046,699.48; dividends unpaid, $9,707.03; individual deposits, $11,017,045.34; other liabilities, $1,439,661.28. In 1913, six banks reported from Porto Rico, with aggregate resources of $17,431,344.60.

No information was obtained from the banks of the Philippine Islands for the current year, and the statistics for 1913 have been used in compiling this report. On June 4, 1913, reports were received from 11 banks in operation in the Philippine Islands, with capital stock aggregating $2,750,000 and aggregate resources of $32,036,402.87.

STATE AND PRIVATE BANK FAILURES.

Through the courtesy of the Bradstreet Commercial Agency information has been obtained with respect to the number of banks, other than national, closed and the amounts of assets and liabilities and the date of closing, but no statistics are at command in relation to the settlement of the affairs of insolvent State and private banks.

In the year ended June 30, 1914, 96 banks of this character were closed, the nominal assets at the date of failure being $20,601,228, and the liabilities $32,058,706. Included in the list of failures are 53 State banks, with assets of $8,946,649 and liabilities of $11,510,912; 7 savings banks, with assets of $643,500 and liabilities of $769,322; 9 trust companies, with assets of $7,948,242 and liabilities of $8,751,282; 27 private banks, with assets of $3,062,837 and liabilities of $11,026,644.

As a result of special efforts information was obtained in 1896 in relation to the settlement of the affairs of State and private banks closed during the period beginning with 1864 and terminating in the year 1896. From the data thus obtained it would appear that creditors received on an average of approximately 45 per cent on their claims. Since 1896 no statistics have been secured relating to the settlement of the affairs of banks of this character, but there have been reported from year to year the number of failures, with assets and liabilities at the date of failure, which is summarized in the following table:

Number of failures, capital, assets, liabilities, and dividends paid by State and private banks that failed in each year from 1864 to 1914.

Year.	Number of failures.	Capital.	Nominal assets.	Liabilities.	Dividends paid.
1864	2				
1865	5	$125,000.00	$245,401.97	$225,662.14	$145,592.25
1866	5	275,000.00	1,206,035.00	890,112.00	
1867	3	260,000.00	222,075.00	138,821.00	138,821.00
1868	7	276,381.00	183,002.30	148,886.00	
1869	6	100,000.00	77,861.00	361,961.73	82,844.74
1870	1			50,000.00	
1871	7	220,000.00	2,314,871.90	2,654,187.15	974,256.96
1872	10	470,000.00	2,126,124.18	3,059,318.06	1,906,573.00
1873	33	907,000.00	4,644,889.91	6,938,653.01	3,420,016.33
1874	40	770,000.00	4,125,731.00	4,562,879.00	2,022,498.51
1875	14	2,413,900.00	9,190,283.98	12,365,475.25	4,143,941.97
1876	37	961,000.00	7,312,218.73	9,206,429.34	5,178,020.98
1877	63	2,491,250.00	13,137,835.47	15,222,785.49	7,004,558.27
1878	70	3,250,193.00	26,001,949.67	27,269,520.51	19,485,717.87
1879	20	1,370,465.00	5,102,691.94	5,252,307.22	4,235,808.85
1880	10	452,200.00	1,629,146.61	1,311,799.49	288,494.74
1881	9	436,750.00	585,653.06	1,785,890.45	851,755.00
1882	19	545,000.00	2,765,951.10	2,608,489.57	1,221,737.29
1883	27	870,000.00	2,813,915.19	3,193,747.39	1,408,047.99
1884	54	1,718,596.00	12,900,819.05	15,508,389.70	9,671,860.25
1885	32	1,099,400.00	2,982,879.51	4,883,454.27	2,361,320.01
1886	13	254,000.00	1,300,536.30	1,140,824.48	673,579.10
1887	19	931,590.00	2,865,300.30	3,074,622.29	1,610,527.45
1888	17	745,500.00	2,805,326.52	3,342,336.52	1,924,773.68
1889	15	363,250.00	1,279,900.68	2,147,059.18	1,026,682.73
1890	30	2,169,568.00	10,692,385.98	11,385,584.64	3,884,577.99
1891	44	2,071,300.00	7,190,824.69	6,365,198.77	3,090,597.48
1892	27	578,840.00	2,719,410.75	3,227,608.56	803,860.76
1893	261	16,641,637.00	54,828,690.65	46,766,818.80	17,912,270.45
1894	71	3,112,447.00	7,958,284.18	7,218,319.51	1,456,522.87
1895	115	3,906,350.00	11,276,529.99	9,010,584.93	2,251,708.93
1896	78	3,400,642.00	10,240,244.97	7,513,837.41	534,363.30
Total	1,164	53,187,259.00	212,725,771.58	218,833,563.86	99,711,330.75
Not dated	70	445,000.00	1,586,419.00	1,796,424.41	377,396.20
Total	1,234	53,632,259.00	214,312,190.58	220,629,988.27	100,088,726.95
1897	122		17,929,163.00	24,090,879.00	
1898	53		4,493,577.00	7,080,190.00	
1899	26		7,790,244.00	10,448,159.00	
1900	32		7,675,792.00	11,421,028.00	
1901	56		6,373,372.00	13,334,629.00	
1902	43		7,323,737.00	10,332,666.00	
1903	26		2,166,852.00	4,005,643.00	
1904	102		24,296,823.00	31,774,895.00	
1905	57		6,970,345.00	10,273,023.00	
1906	37		6,591,515.00	7,187,858.00	
1907	34		13,037,497.00	22,165,448.00	
1908	132		177,073,348.00	209,835,443.00	
1909	60		15,760,177.00	25,190,156.00	
1910	28		14,496,610.00	18,182,592.00	
1911	56		13,962,050.00	18,546,583.00	
1912	55		7,797,401.00	12,838,837.00	
1913	40		6,182,295.00	7,520,527.00	
1914	96		20,601,228.00	32,058,706.00	
Total	2,289		574,834,216.58	696,917,250.27	

For the purpose of comparison there is submitted herewith a statement relating to failures by years and classes of banks:

Number, assets, and liabilities of State banks, savings banks, loan and trust companies, private banks, and National banks which failed, by years, from June 30, 1892, to June 30, 1914.

[In the amounts 000 omitted.]

Year.	State institutions.								
	State banks.			Savings banks.			Loan and trust companies.		
	No.	Assets.	Liabilities.	No.	Assets.	Liabilities.	No.	Assets.	Liabilities.
1892	24	$1,892	$3,178	6	$484	$917	3	$209	$425
1893	172	41,282	36,903	47	17,674	16,831	19	15,098	24,144
1894	27	1,774	2,610	9	2,646	2,678	8	33,420	37,977
1895	46	2,555	3,445	8	4,653	4,818	6	4,107	5,844
1896	55	3,741	4,628	9	662	902	4	1,159	936
1897	44	6,080	8,083	19	3,998	5,455	12	3,436	4,325
1898	14	694	988	4	800	956	2	1,275	1,575
1899	5	919	1,240	4	1,153	1,632	2	5,067	6,701
1900	9	418	442	3	328	410	4	5,243	6,636
1901	8	1,003	1,440	3	450	531	4	995	1,113
1902	12	1,364	2,056	10	4,622	5,730	1	12	22
1903	6	645	965	1	35	235	2	371	561
1904	37	5,194	6,725	7	1,457	1,704	8	13,128	15,880
1905	16	1,397	2,282	4	550	811	2	2,525	3,600
1906	15	710	1,006	5	360	490	4	4,636	3,990
1907	10	2,380	4,833				4	4,850	8,100
1908	42	41,035	43,227	12	7,760	7,581	25	110,047	126,200
1909	19	2,732	3,286	2	85	105	6	5,342	5,412
1910	9	8,170	9,111	1	52	63	6	3,072	2,216
1911	28	9,865	12,678	4	2,021	2,487	2	140	230
1912	29	2,318	3,129	1	46	66	4	2,452	4,304
1913	18	1,362	1,866	4	564	680	3	3,409	3,419
1914	53	8,947	11,511	7	643	769	9	7,948	8,752
Total	698	146,477	165,032	170	51,037	55,851	140	227,941	272,362

Year.	Private banks.			Total State and private institutions.			National banks.[1]		
	No.	Assets.	Liabilities.	No.	Assets.	Liabilities.	No.	Assets—nominal value.	Liabilities.[2]
1892	36	$3,540	$6,505	69	$6,125	$11,025	17	$16,257	$12,769
1893	176	20,237	19,315	414	94,291	97,193	65	31,135	20,356
1894	21	1,749	2,236	65	39,589	44,901	21	8,366	5,579
1895	25	1,389	1,805	85	12,704	15,912	36	14,919	9,416
1896	42	1,886	2,708	110	7,448	9,174	27	14,203	10,066
1897	47	4,416	6,228	122	17,930	24,091	38	39,574	26,415
1898	33	1,725	3,561	53	4,494	7,080	7	5,393	3,813
1899	15	651	874	26	7,790	10,447	12	2,725	1,810
1900	16	1,687	3,933	32	7,676	11,421	6	13,590	10,312
1901	41	3,925	10,251	56	6,373	13,335	11	9,157	7,676
1902	20	1,325	2,525	43	7,323	10,333	2	604	379
1903	17	1,116	2,245	26	2,167	4,006	12	7,304	5,711
1904	50	4,518	7,466	102	24,297	31,775	20	8,733	6,598
1905	35	2,498	3,580	57	6,970	10,273	22	15,304	12,977
1906	13	886	1,702	37	6,592	7,188	8	2,410	1,602
1907	20	5,807	9,232	34	13,037	22,165	7	8,035	5,452
1908	53	18,231	32,828	132	177,073	209,836	24	33,400	22,395
1909	33	7,602	16,387	60	15,761	25,190	9	4,018	3,166
1910	12	3,206	6,792	28	14,496	18,182	6	3,123	2,919
1911	22	1,935	3,150	56	13,962	18,546	3	1,400	914
1912	21	2,976	5,338	55	7,797	12,838	8	5,404	4,525
1913	15	846	1,554	40	6,182	7,520	6	7,914	6,665
1914	27	3,663	11,027	96	20,601	32,059	21	12,840	7,292
Total	790	95,214	161,242	1,798	520,678	654,490	388	265,808	188,807

[1] Years ended Oct. 31.

[2] Claims proved, offsets allowed, and loans paid.

BUILDING AND LOAN ASSOCIATIONS IN THE UNITED STATES.

Through the courtesy of Mr. H. F. Cellarius, secretary of the United States League of Local Building and Loan Associations, statistics have been obtained relating to the building and loan associations for the year 1913.

These statistics show that there were in 1913, in the United States, 6,429 associations, with a total membership of 2,836,433, and having assets amounting to $1,248,479,139. The total resources increased $110,878,491, or 9.74 per cent, for the year. Membership increased 319.497, or over 12⅔ per cent, during the same period. The average amount due each member is $440.16.

The following table shows, by States, the number of associations, the total membership, and total assets for States in which accurate statistics are compiled by the State authorities. The data for other States are consolidated under the heading "Other States," and the figures given are estimated.

Statistics for 1913.

States.	Number of associations.	Total membership.	Total assets.	Increase in assets.	Increase in membership.
Pennsylvania	1,710	510,839	$233,564,445	$19,738,898	35,345
Ohio	649	[1] 524,316	224,037,997	18,592,003	[1] 127,834
New Jersey	643	241,487	118,953,658	12,398,661	22,069
Illinois	591	187,779	82,007,561	7,549,767	15,323
Massachusetts	169	188,741	81,708,343	7,224,295	16,050
New York	241	161,880	64,249,990	5,209,479	10,861
Indiana	323	151,181	53,878,749	2,776,828	8,979
Nebraska	70	70,996	32,746,726	3,800,618	2,537
California	93	37,811	28,316,022	3,449,450	6,890
Michigan	65	55,889	24,008,662	1,978,223	8,770
Louisiana	67	46,043	21,317,982	2,240,707	5,793
Kentucky	108	52,464	20,324,590	1,826,175	4,464
District of Columbia	20	34,846	18,941,184	1,225,084	2,615
Kansas	59	48,829	16,708,538	1,787,589	4,917
Missouri	139	33,108	15,668,919	1,646,898	1,957
North Carolina	127	29,824	11,071,159	1,489,500	3,764
Wisconsin	65	27,710	10,456,499	1,703,669	4,418
West Virginia	44	15,500	6,473,351	541,689	[3] 100
Minnesota	61	13,460	6,347,622	557,762	750
Washington	22	20,544	6,264,765	1,707,511	4,500
Iowa [2]	47	19,052	5,715,614		
Maine	37	11,389	5,205,361	303,965	271
Rhode Island	6	7,719	4,522,350	([3])	([3])
Connecticut	13	5,592	3,241,853	263,618	1,661
Tennessee	13	4,917	2,956,733	173,263	930
North Dakota	9	5,200	2,698,235	177,282	885
New Hampshire	19	8,050	2,390,899	88,529	150
Oklahoma	39	5,051	1,669,372	552,760	1,861
New Mexico	13	3,670	1,519,741	([3])	([3])
Montana	18	1,803	1,111,955	18,962	9
Vermont	3	375	180,190	([3])	([3])
Other States	946	310,368	140,220,074	11,795,306	23,794
Total	6,429	2,836,433	1,248,479,139	110,878,491	319,497

[1] Including depositors.
[2] Reports issued biannually. Figures for 1912 used.
[3] Increase included in other States.

BUILDING AND LOAN ASSOCIATIONS' RECEIPTS AND DISBURSEMENTS FOR 1913.

The aggregate receipts for 1913 amounted to $862,809,885, an increase of $83,330,685 for the year, or 10.7 per cent. The receipts from weekly dues were $13,329,999 in excess of the previous year,

an increase of 5 per cent. Paid-up stock receipts were $8,858,278 more than the year before, an increase of 34 per cent. Deposits increased 9.5 per cent. Interest receipts were $6,784,464 more than the previous year, an increase of 10 per cent. The increase in mortgage loans made was $28,608,180, an increase over last year of 9.5 per cent. Stock withdrawals increased $14,042,141, or 6.4 per cent. The total expenses of management for 1913 amounted to $7,844,018, which was $243,782 more than was paid the previous year. The ratio of expenses to total receipts is nine-tenths of 1 per cent. In detail the receipts and disbursements for the year were as follows:

Receipts, 1913.	Amount.	Disbursements, 1913.	Amount.
Cash on hand Jan. 1, 1913	$35,041,321	Pass-book loans	$30,894,647
Weekly dues	275,509,899	Mortgage loans	327,831,168
Paid-up stock	35,060,578	Stock withdrawals	231,976,241
Deposits	76,000,960	Paid-up stock withdrawals	34,624,086
Loans repaid	239,646,946	Deposit withdrawals	69,158,306
Interest	72,406,320	Expenses	7,844,018
Premium	4,217,283	Borrowed money repaid	87,657,864
Fines	1,046,297	Interest	1,668,940
Pass books and initiation	776,699	Real estate purchased	6,361,229
Borrowed money	89,679,849	Miscellaneous disbursements	28,063,868
Real estate sold	4,955,468	Cash on hand Jan. 1, 1914	36,729,518
Miscellaneous receipts	28,468,265		
Total receipts	862,809,885	Total disbursements	862,809,885

* * * * * * *

The Appendix to the report of the Comptroller of the Currency, containing the detailed statements of the condition of each national bank and a large amount of additional general and special statistical information and data, and a digest of court decisions relating to national banks, which hitherto have usually been printed in the same volume with the text of the Comptroller's annual report, will this year, as a matter of convenience, be printed and bound separately as volume 2 of the Report of the Comptroller of the Currency for 1914.

Respectfully submitted.

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

REPORT OF COMMISSIONER OF INTERNAL REVENUE.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C., October 12, 1914.

SIR: I have the honor to make the following report of the work of the Bureau of Internal Revenue during the fiscal year ended June 30, 1914.

Included in this report is a statement of receipts from the several sources of internal revenue for the months of July, August, and September of the current fiscal year.

ACCOUNTS AND STATISTICS.

The total receipts of the bureau for the past fiscal year amounted to $380,008,893.96, the greatest in the history of the bureau. Of this total, there was collected from corporations under acts of August 5, 1909, and October 3, 1913, an aggregate of $43,127,739.89, as compared with $35,006,299.84 collected under the first-mentioned act during the preceding fiscal year, being an increase of $8,121,440.05 from corporations. Income-tax collections from individuals aggregated $28,253,534.85.

The receipts from ordinary sources were $308,627,619.22 as compared with $309,418,154.01 during the preceding fiscal year, a decrease of $790,534.79. The net increase in total receipts for last fiscal year was $35,584,440.11.

The receipts from ordinary sources for the first three months of current fiscal year were $85,817,321.89 as compared with $79,269,680.07 for the first three months of the fiscal year 1914, an increase of $6,547,641.82.

Corporation tax collected for the first three months of current fiscal year amounts to $4,822,054.19 as compared with $2,358,181.38 collected during the first three months of the fiscal year 1914, an increase of $2,463,872.81. The individual income-tax collections during the first three months of current fiscal year were $2,794 669.78, this making an increase in total collections from all sources for the first three months of the current fiscal year over the same period of the previous fiscal year of $11,806,184.41.

I estimate the collections for fiscal year 1915 distributed as follows: Collections, exclusive of the emergency revenue (act of October 22, 1914) and income tax, $305,000,000; emergency revenue, $54,000,000; and income tax, $80,000,000 (corporation, $40,000,000, and individual, $40,000,000), making a total of $439,000,000.

I estimate the collections for fiscal year 1916 distributed as follows: Collections, exclusive of the emergency revenue and income tax, $305,000,000; emergency revenue, $44,000,000; and income tax, $85,000,000 (corporation, $42,500,000, and individual, $42,500,000), making a total of $434,000,000.

In estimating the revenues to be derived under the act of October 22, 1914, it should be noted that under the provisions of the act a tax on certain items became effective on the day next succeeding the date of its passage and on others on the 1st of November and December following, and that on the day after the 31st day of December, 1915, the taxes levied under this act shall no longer be levied and collected. Thus it will be seen that collections cover periods of only from seven to about eight months of the fiscal year 1915, and but six months of the fiscal year 1916.

The objects of internal taxation producing the largest amounts of internal revenue during the past fiscal year are distilled spirits, exclusive of special taxes, $153,052,351.38; fermented liquors, exclusive of special taxes, $66,105,444.65; manufactured tobacco, $79,986,639.68, including $170,779.51 from sale of internal-revenue stamps affixed to Philippine products; corporation excise tax, $10,671,077.22; corporation income tax, $32,456,662.67; and individual income tax, $28,253,534.85.

RECEIPTS IN LARGE TAX-PAYING STATES AND COLLECTION DISTRICTS.

The States in which the largest collections of internal-revenue taxes were made during the fiscal year 1914 are New York, $62,116,763.34; Illinois, $60,761,833.58; Kentucky, $35,405,517.87; Pennsylvania, $33,422,532.99; Indiana, $29,598,797.29, and Ohio, $25,031,262.61.

Among the States in which the smallest collections were made are Idaho, Mississippi, New Mexico, North Dakota, and Wyoming.

Of the collection districts, the fifth Illinois reported the largest collections, namely, $33,535,386.95.

The fiscal year 1914 witnessed a large falling off in production and withdrawal of distilled spirits, a substantial increase in production of fermented liquors, a decrease in snuff manufactured, also in the number of large cigars, an increase in chewing and smoking tobacco manufactured, and a phenomenal increase in small cigarettes.

In the fiscal year 1913 the total production of distilled spirits was 193,606,258 gallons; in 1914, 181,919,542 gallons, a decrease of 11,686,716 gallons. In the fiscal year 1913, 143,220,056 gallons of tax-paid spirits were withdrawn; in 1914, 139,138,501 gallons, a decrease of 4,081,555 gallons.

The three States having the largest production of distilled spirits during the past fiscal year are Illinois, 41,628,073 gallons; Kentucky, 37,919,421 gallons; and Indiana, 24,938,524 gallons.

The three collection districts having the largest output of distilled spirits are the fifth Illinois, 31,818,597 gallons; fifth Kentucky, 19,388,997 gallons; and seventh Indiana, 15,479,216 gallons.

During the fiscal year 1914 there were tax paid for bottling in bond 10,441,588 taxable gallons as compared with 10,626,633 taxable gallons tax paid during the previous fiscal year, a decrease of 185,045 taxable gallons.

The five States which produced the largest quantity of fermented liquors are New York, 14,040,387 barrels; Pennsylvania, 8,008,786 barrels; Illinois, 6,987,568 barrels; Wisconsin, 5,278,989 barrels; and Ohio, 5,147,419 barrels.

The three collection districts which produced the largest quantity of fermented liquors are first Illinois, 5,893,871 barrels; third New York, 5,480,961 barrels; and first Wisconsin, 4,380,068 barrels.

The four States producing the greatest number of cigars weighing more than 3 pounds per thousand and the production of each during the calendar year 1913 are as follows:

Pennsylvania	2,103,080,684
New York	1,226,391,607
Ohio	711,142,443
New Jersey	546,018,599

The two districts showing the largest production of cigars are the ninth Pennsylvania, 204,611,037, and the first Pennsylvania, 810,475,456.

The States showing the greatest production of little cigars (weighing not more than 3 pounds per thousand) are:

Maryland	478,545,850
Pennsylvania	236,486,050
New Jersey	145,145,440

The greatest production by districts is as follows:

Maryland	478,545,850
First Pennsylvania	235,833,680
Fifth New Jersey	145,145,440
First New York	40,915,620

The States of New York, Virginia, North Carolina, New Jersey, Louisiana, California, and Pennsylvania, in the order named, show the greatest production of cigarettes weighing not more than 3 pounds per thousand:

New York	7,843,099,672
Virginia	2,628,466,670
North Carolina	2,004,921,000
New Jersey	1,977,478,530
Louisiana	689,454,090
California	247,087,581
Pennsylvania	108,869,556

The three districts showing the greatest production of little cigarettes are the first New York, which produced 2,683,856,360; the second Virginia, which produced 2,624,719,670; and the third New York, which produced 2,585,351,332.

New York produced the greatest number of large cigarettes, showing a production of 13,728,860, of which number 10,158,560 were manufactured in the third district and 3,403,040 in the second district.

The States of North Carolina, Missouri, Ohio, Kentucky, New Jersey, and Michigan, in the order named, were the States reporting the largest manufacture of both chewing and smoking tobacco, the quantity manufactured being as follows:

North Carolina	104,329,283
Missouri	76,130,566
Ohio	42,545,140
Kentucky	36,364,056
New Jersey	33,270,930
Michigan	27,744,025

The districts producing the largest quantity were:

First Missouri	76,019,849
Fifth North Carolina	73,995,993
Fifth New Jersey	33,252,872
First Ohio	31,512,083
Fifth Kentucky	31,431,744
Fourth North Carolina	30,333,290

The districts in which the largest amounts of corporation tax were collected are second New York, $5,889,040.04; first Illinois, $3,835,403.50; first Pennsylvania, $2,852,229.32; twenty-third Pennsylvania, $2,791,967.37. The five States showing the largest collections from this source are New York, $9,765,911.60; Pennsylvania, $6,096,305.28; Illinois, $4,293,649.68; Ohio, $2,401,030.37; California, $2,049,672.08.

The districts in which the largest amounts of individual income tax were collected are second New York, $7,950,058.39; third New York, $2,762,023.34; first Pennsylvania, $2,012,513.61; first Illinois, $1,915,149.92; third Massachusetts, $1,505,885.72. The five States showing the largest collections from this source are New York, $12,522,797.34; Pennsylvania, $3,176,095.38; Illinois, $2,076,171.11; Massachusetts, $1,505,885.72; Michigan, $1,018,220.20.

COST OF COLLECTING INTERNAL-REVENUE TAXES.

The cost of collecting the internal revenue for the fiscal year was $15.25 per $1,000, or 1.52 per cent. The cost of collection the previous year, in which the largest sum was collected prior to fiscal year 1914, was $15.94 per $1,000, or 1.59 per cent.

The average cost of collection since the establishment of the bureau is approximately $25.14 per $1,000, or 2.51 per cent.

The cost of collection for the past fiscal year, distributed approximately among the different items of appropriation, was as follows:

Salaries and expenses of collectors of internal revenue	$2,113,085.10
Miscellaneous expenses, Internal-Revenue Service	82,106.64
Salaries and expenses of agents and subordinate officers of internal revenue	2,501,856.59
Paper for internal-revenue stamps	94,939.02
Punishment for violation of internal-revenue laws	106,211.16
Expenses of collecting the corporation tax	154,226.92
Collecting the income tax	346,410.46
Classifying, etc., returns of corporations	26,841.89
Salaries, office of Commissioner of Internal Revenue	353,651.94
Total amount expended	5,779,329.72

NOTE.—Not included in this total are bills approximating $5,000, covering expenses of deputy collectors in excess of allowances, transportation requests, miscellaneous items, etc., not yet adjusted.

The amount expended from the appropriation "Refunding internal-revenue collections" is $16,132.71. This amount is not considered as a part of the expense incident to the collection of internal revenue, so is not included in expenses enumerated above.

* * * * * * *

OBJECTS OF TAXATION.

DISTILLED SPIRITS.

During the past fiscal year there were produced from materials other than fruit 174,611,645 taxable gallons of distilled spirits, or 10,741,738.1 gallons less than the quantity of like spirits produced during the fiscal year 1913. Of this class of spirits there were removed from bonded warehouses during the fiscal year, on payment of tax, 136,269,752.6 taxable gallons, or 4,019,672.2 gallons less than the quantity tax paid during the previous year.

The quantity of spirits remaining in distillery and general bonded warehouses June 30, 1914, was 282,036,460.2 gallons, or 5,251,920.2 in excess of the quantity so held at the close of the fiscal year 1913.

The following statement shows the production and tax payment of this class of spirits during the past 15 years and the quantity held in bond at the close of each year:

Fiscal year.	Produced.	Withdrawn, tax paid.	Remaining in warehouse.
	Gallons.	*Gallons.*	*Gallons.*
1900	105,484,699.8	93,391,827.8	138,087,348.9
1901	124,520,599.8	99,191,721.5	152,733,138.0
1902	128,623,401.9	103,304,981.5	168,742,430.5
1903	141,776,202.1	112,788,168.0	188,350,778.1
1904	134,311,952.0	116,033,305.6	195,135,925.8
1905	147,810,794.3	115,994,857.5	215,557,523.6
1906	145,666,125.1	122,617,943.1	226,735,828.8
1907	168,573,913.2	134,031,066.7	245,438,816.0
1908	126,989,740.1	119,703,594.4	235,026,128.2
1909	133,450,755.1	114,693,578.2	229,141,434.0
1910	156,237,526.4	126,384,726.7	233,508,674.6
1911	175,402,395.5	132,058,636.5	249,279,346.6
1912	178,249,985.0	133,259,147.6	263,785,831.8
1913	185,353,383.1	140,289,424.8	276,784,540.0
1914	174,611,645.0	136,269,752.6	282,036,460.2

While the stock of spirits held in warehouses at the close of the last fiscal year was somewhat larger than that held during any previous year, the quantity so held, as to which the bonded period will expire during the next four years, aggregates 46,629,420.7 gallons only. These spirits, now eligible for bottling in bond, average, for the four years mentioned, 11,657,355 gallons, or about the quantity (10,481,994.6 gallons) bottled in bond during the past year on payment of tax and for export. As to this class of spirits, there appears to be no large overstock held in bond at the present time. The following table shows the quantity of spirits of various ages remaining in bonded warehouses at the close of the fiscal years 1913 and 1914:

Age of spirits.	Remaining in warehouse.	
	1913	1914
	Gallons.	*Gallons.*
1 year or less	79,379,521.1	69,284,294.9
More than 1 and not exceeding 2 years	65,918,099.6	68,004,768.6
More than 2 and not exceeding 3 years	58,983,168.9	58,080,738.3
More than 3 and less than 4 years	39,667,981.0	40,037,237.7
Less than 4 years	243,948,770.6	235,407,039.5
4 and not exceeding 5 years	18,156,715.9	33,475,718.2
More than 5 and not exceeding 6 years	5,460,797.0	7,522,925.3
More than 6 and not exceeding 7 years	6,202,547.2	2,485,034.6
More than 7 years	3,015,709.3	3,145,742.6
4 years and over, and eligible for bottling	32,835,769.4	46,629,420.7
Total in bond	276,784,540.0	282,036,460.2

DENATURED ALCOHOL.

During the past fiscal year there were denatured, free of tax, 10,404,975.59 wine gallons of alcohol and rum, as against 9,831,658.54 wine gallons denatured during the preceding year, or an increase of 573,317.05 gallons.

The following statement shows the quantity of such spirits denatured during each of the fiscal years since the enactment of the denatured alcohol law of June 7, 1906.

Fiscal year.	Number of denaturing warehouses.	Completely denatured.	Specially denatured.	Total.	
				Wine gallons.	Proof gallons.
		Wine gallons.	*Wine gallons.*		
1907	8	1,397,861.16	382,415.19	1,780,276.35	3,084,950.8
1908	12	1,812,122.38	1,509,329.35	3,321,451.73	5,640,331.2
1909	12	2,370,839.70	2,185,579.15	4,556,418.85	7,967,736.4
1910	12	3,076,924.55	3,002,102.55	6,079,027.10	10,605,870.7
1911	14	3,374,019.92	3,507,109.94	6,881,129.86	11,682,887.9
1912	14	4,161,268.56	3,933,246.44	8,094,515.00	13,955,903.8
1913	21	5,223,240.78	4,608,417.76	9,831,658.54	16,953,552.8
1914	25	5,213,129.56	5,191,846.03	10,404,975.59	17,811,078.2

As shown by the foregoing statement there has been a very noticeable and nearly uniform annual increase in the demand for this class of spirits; and, as will be noted, the quantity specially denatured about equals the quantity of completely denatured alcohol which,

under existing regulations, may be sold and used without restriction for general purposes, such as for fuel, light, and power. The use of specially (incompletely) denatured alcohol, however, is permitted only in the manufacture of certain articles or preparations under regulations which require careful supervision on the part of the revenue officers. Up to the present time some 20 formulas for specially denatured alcohol have been approved for different lines of manufacture, and the quantity denatured under each of these formulas is given in a statement to be found on page 76 of this report.

In my annual report for the year 1913, attention was called to the fact that the greater portion of the spirits so denatured is used in the manufacture of a class of articles and preparations as to which little, if any, reduction is made in the retail price on account of the exemption from tax of the alcohol so used. As it is obvious that the manufacturer in such cases, and not the public, is getting the benefit of this tax exemption, and as no inconsiderable expense is annually incurred by the Government in supervising the manufacture and use of such alcohol, I have to renew my recommendation and that made by my predecessor, on page 12 of his report for the fiscal year 1912, that a nominal tax of, say, 1 cent per proof gallon, sufficient to cover the expense of such supervision, be imposed on this class of spirits.

INDUSTRIAL DISTILLERIES

Under the act of June 7, 1906, alcohol could be denatured, free of tax, only in denaturing bonded warehouses located on the distillery premises where the alcohol was produced; and, under this law, only distillers of the larger class, who produced alcohol from grain or molasses, were able to avail themselves of this privilege.

With a view of encouraging the establishment of small distilleries for the manufacture of alcohol from waste products, the amendatory act of March 2, 1907, providing for the establishment of distilleries, having a daily capacity not exceeding 100 proof gallons, for the production of alcohol "from any substance whatever for denaturation only," was passed.

This amendatory act has also been supplemented by section IV (subsec. 2) of the act of October 3, 1913, which authorizes the establishment by farmers or associations of farmers, or others, of distilleries for the manufacture of alcohol free of tax for denaturation only, "out of any of the products of farms, fruit orchards, or of any substance whatever;" also for the establishment of "central distillery and denaturing plants" to which the alcohol so produced at these smaller distilleries (if not of sufficient proof strength, and not denatured on the distillery premises) may be transferred, redistilled, and redenatured under regulations and upon the execution of such notice and bond as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe. Under the privilege thus granted alcohol may be produced without restriction either as to the quantity or proof, thereby enabling inexperienced persons to operate small distilleries at a comparatively small cost.

Under regulations authorized by that act, distilleries of this class are exempt from most of the requirements imposed by law on other distilleries; but notwithstanding these very liberal regulations only one such distillery has been established. No alcohol, however, has so far been denatured at this distillery.

DISTILLERIES.

During the fiscal year ended June 30, 1914, there were operated for the production of distilled spirits 352 grain distilleries, 23 molasses distilleries, and 368 fruit distilleries, a total of 743, a decrease of 127, as compared with the number operated during the previous fiscal year. There was also 1 industrial distillery established and operated a short time under the act of October 3, 1913, for the manufacture of alcohol, as above noted.

During the year a close supervision by field and distillery officers was maintained over establishments engaged in the manufacture, rectification, and sale of distilled spirits.

FERMENTED LIQUORS.

The production of fermented liquors during the fiscal year ended June 30, 1914, was 66,189,466 barrels, being an increase of 864,590 barrels over the previous fiscal year.

The number of breweries operated during the year was 1,413, a decrease of 33, as compared with the previous fiscal year. Pipe lines were employed for conveying fermented liquors to the bottling premises at 327 breweries, being an increase of 31, as compared with the previous fiscal year.

TOBACCO.

The receipts from the tax on manufactured tobacco, snuff, cigars and cigarettes for the fiscal year ended June 30, 1914, amounted to $79,986,639.68, an increase over the collections from these sources during the fiscal year ended June 30, 1913, of $3,197,214.93.

There were in operation during the calendar year 1913 19,841 cigar factories and 447 cigarette factories, this being a decrease of 714 cigar factories and 22 cigarette factories.

There were also registered 2,766 establishments producing manufactured tobacco, 68 producing snuff, 4,004 dealers in leaf tobacco, and 591 retail dealers in leaf tobacco in the United States.

No change is noted in the very limited sale of unmanufactured leaf tobacco by retail dealers in leaf tobacco.

Considerable difficulty has been experienced in securing reports of dealers in leaf tobacco for each quarter and in keeping a check on such dealers and on their transactions reported in book 59. A dealer in leaf tobacco is now, and has been, required only to register with the collector of the district on commencement of business. Section 3360 of the Revised Statutes provides that dealers in leaf tobacco shall return the book furnished by the Government, in which record is kept of their transactions, at the end of each and every year and upon discontinuance of business during any year. Reports on book 59 are required quarterly instead of yearly, for the purpose of tracing sales of leaf tobacco to manufacturers and other dealers in leaf tobacco just that much earlier than would be possible with only a yearly report. A dealer in leaf tobacco has never been required to give a bond, nor is an inventory required by law to be furnished. There are a number of dealers in leaf tobacco who have taken advantage of this situation by selling leaf tobacco to unscrupulous manufacturers, reporting a less quantity sold than is actually delivered and taking credit as shrinkage for the excess delivered and not

reported, and also by carrying fictitious balances forward in their books 59 from quarter to quarter. In the latter case, such leaf dealer may disappear, leaving no trace of the tobacco, which is manufactured into cigars and finds its way to consumers without being tax paid. Therefore, the recommendation made in the two previous annual reports is again urged—namely, that every dealer in leaf tobacco should be required by law to give bond, the penalty of which should be increased according to the quantum of business proposed to be done, and which penalty should be fixed by the collector of the district, with right of appeal by dealer to the Commissioner of Internal Revenue in respect to the amount thereof. Every dealer in leaf tobacco should be required to make a true inventory of stock on the 1st day of January of each year, and power should be given the Commissioner of Internal Revenue to call upon dealers in leaf tobacco to show cause against assessment for tax on tobacco not accounted for and to make such assessments where explanations are not satisfactory. Dealers in leaf tobacco should be required to render report of transactions quarterly, monthly, or for such periods and in such manner as the Commissioner of Internal Revenue shall prescribe.

Manufacturers of cigars, manufacturers of tobacco, dealers in leaf tobacco, and retail dealers in leaf tobacco should be required by law to register only on commencement of business and not annually thereafter on the 1st day of July. It has been pointed out in recommendations made in the two previous annual reports that this will relieve collectors of internal revenue of considerable unnecessary labor and will effect a considerable saving in printing and stationery.

The increase in the number of cigarettes manufactured and removed tax paid during the fiscal year ended June 30, 1914, does not quite equal that pointed out in the previous annual report; but is extraordinary, amounting to 2,132,895,976 cigarettes, the receipts from the sale of stamps during the fiscal year ended June 30, 1914, showing tax payment on 16,409,667,136 cigarettes.

SPECIAL EXCISE AND INCOME TAX ON CORPORATIONS.

With the enactment of the Federal income-tax law section 2 of the act of October 3, 1913, the law imposing a special excise tax on corporations, section 38 of the act of August 5, 1909, became inoperative. This latter act had been in force and effect during a period of four years, its inception for tax purposes dating as of January 1, 1909. The Federal income-tax law, as applied to corporations, joint-stock companies or associations, and insurance companies, became operative immediately upon its passage and approval by the President, and, for the purpose of the tax, comprehends the income arising and accruing to such organizations on and after January 1, 1913.

The income-tax act imposed a special excise tax upon all such organizations for the months of January and February, 1913, and an income tax for the remaining 10 months of the year.

The rate of tax in either case is 1 per cent of the entire net income arising and accruing to such organizations during the period named.

As the net income for the purpose of the special excise as well as the income tax is ascertained, under the law, in the same manner, but one

return for the calendar or fiscal year 1913 was required to be made by each organization subject to the tax.

In as far as it relates to the tax levied against corporations, the income-tax law is not essentially different from the special excise tax law, except that it is a little broader in its scope and comprehends certain organizations which were not subject to the special excise tax. Under the former law only such corporations, joint-stock companies or associations, and insurance companies as were organized for profit, had a capital stock represented by shares and were organized under and pursuant to some statutory law, either of the United States or of some State or Territory thereof, were subject to the tax imposed by it. Under the income-tax law the normal tax, 1 per cent, is required to be levied, collected, and paid upon the entire net income arising and accruing to every corporation, joint-stock company or association (except those specifically enumerated as exempt), "no matter how created or organized." Many associations organized under and pursuant to voluntary agreements and operating in an organized capacity have thus come within the scope and purpose of this law.

As applied to corporations the essential differences between the old law and the new are these:

(1) The excise-tax law applied only to corporations, etc., organized, under some statutory law, for profit; the income-tax law applies to corporations, joint-stock companies or associations, etc., no matter how created or organized.

(2) The excise-tax law levied a tax equivalent to 1 per cent on the entire net income over and above $5,000; the income-tax law levies the tax of 1 per cent upon the entire net income, without any specific exemption.

(3) The excise-tax law required all income from whatever source to be returned; the income-tax law does not require income from obligations of the United States or of any State or Territory or political subdivision thereof to be returned for taxation.

(4) The excise-tax law authorized corporations to deduct from gross income dividends received on the stock of other corporations subject to the tax, while under the income-tax law such dividends are not exempt from the tax in the hands of the corporations receiving them.

(5) Under the excise-tax law the interest deduction was limited to the amount of interest actually paid within the year on an amount of indebtedness not in excess of the paid-up capital stock outstanding at the close of the year, while under the income-tax law credit may be taken for an amount of interest actually paid within the year on an amount of indebtedness not in excess of one-half of the sum of the interest-bearing indebtedness and the paid-up capital stock outstanding at the close of the year.

(6) Under the excise-tax law every corporation subject to the tax was required to make its returns on the basis of the calendar year, while under the income-tax law corporations may, by properly designating for this purpose a fiscal year, make their returns on the basis of the fiscal year so established.

Notwithstanding this latter provision, comparatively few returns have, up to this time, been made on the basis of the fiscal year. This is probably due to the fact that the act was passed so near the

end of the calendar year that corporations did not have the time within which to meet the requirements of the law relative to establishing a fiscal year other than the calendar year. Many corporations are, however, taking advantage of this provision, and it is estimated that very soon at least 50 per cent of all the corporations will be making their returns on a basis other than the calendar year.

Because of the similarity in all essential particulars of the two laws, the merging of the administration of the old law into that of the new was accomplished with the least degree of friction or difficulty. In fact, the organization which had been built up for the administration of the special excise-tax law adjusted itself without interruption to an effective administration of the income-tax law.

Notwithstanding the fact that the corporations had four years of experience under a Federal excise-tax law, the new law brought to the surface many new questions, and the last three months of the year 1913 and the earlier months of 1914 were devoted largely to a campaign of education. During this period the correspondence was exceptionally heavy, being devoted, in a large measure, to answering questions and construing certain features of the law.

The short time elapsing between the passage of the act and the date when returns were required to be made rendered it impossible to prepare forms, prescribe regulations, and issue instructions until a short time before the returns were due. Notwithstanding this condition, corporations were advised by internal revenue officers, through the public press, and otherwise, of the requirements of the law. The corporations themselves cooperated in disseminating information, and when the time came for making returns, practically all organizations subject to the law were quite well informed as to its requirements and their duties under it.

As a result of work done by the field force there was assessed during the fiscal year ended June 30, 1914, additional tax in the sum of $1,708,270.12; that is to say, this sum was assessed in addition to that originally assessed on the face of the returns as made by the corporations. To this was added $399,118.59 on adjustments made in this office, making a total of $2,107,388.71.

Under the income-tax law quite a number of additional revenue agents and inspectors have been appointed, but these were assigned to duty so late in the year that they were unable to do much more than familiarize themselves with their duties preparatory to the campaign of examinations that is now being inaugurated and enforced with vigor throughout the country. Because of the fact that the books of most of the larger corporations have been examined and inaccuracies in making returns have been corrected, and because of the fact that corporations have come to better understand the requirements of the law and are making returns more in conformity with the rulings of the department, it is probable that the field examinations will not hereafter disclose great discrepancies in the statement of net income. However, there will be ample work in the field for a large and efficient force of examiners. The results thus far have demonstrated that the amount of taxes recovered has increased in a ratio commensurate with the increase in the number and efficiency of the examining officers. While the officers more recently appointed are thus far without experience in this line of work, some of them are demonstrating their fitness and ability to do effective work, and gratify-

ing results are anticipated. Others have demonstrated their incapacity for this line of work, and unless unexpected improvement is made must necessarily be removed from the service. With this increased field force becoming more efficient with experience, it is contemplated that a great many more examinations shall be made during the current year and it is confidently expected that the result will more than justify the expense involved.

During the fiscal year ended June 30, 1914, there were received in the Bureau of Internal Revenue the returns of annual net income of 316,909 corporations, joint-stock companies or associations, and insurance companies. Of these 188,866 returned a net income upon which the tax was computed. These figures show an increase of 11,573 over the number of returns received during the fiscal year ended June 30, 1913, and an increase of 127,750 over the number of taxable returns made during the preceding year.

The increase in the whole number of returns (both taxable and nontaxable) received during the year is due largely to the natural net increase in incorporated organizations and to the fact that many unincorporated associations, exempt under the special excise-tax law, were required to make, and did make, returns under the income-tax law.

The apparently large increase over the previous year in the number of taxable returns received during the year is accounted for in the fact that the specific exemption from tax of $5,000 authorized by the special excise-tax law was not allowed by the income-tax law. Hence, under the latter law every corporation returning any net income whatever was taxable.

The total amount of special excise and income tax assessed against corporations during the fiscal year ended June 30, 1914, including the 50 per cent additions to the tax because of the failure of corporations to file their returns within the prescribed time, and the 100 per cent added in a very few cases because of returns made with false and fraudulent intent, was $45,614,369.62, showing an increase of $9,405,530.50 over the amount assessed, under the special excise-tax law, during the preceding fiscal year.

This increase is due in a large measure to the fact that, under the present law, the tax is computed upon the entire net income, while under the former law the tax was computed on only so much of the net income as was in excess of $5,000, and perhaps in a larger measure to the fact that dividends received on the stock of other corporations subject to the tax are required to be included in net income for the purpose of the income tax, while for the purpose of the special excise tax such dividends were excluded from the net income.

To a limited extent, the increase in the amount of the tax over that of the last year was due to the assessments returned this year against unincorporated "associations," which, because of the fact that they were not organized under any statutory law, were exempt from the special excise tax imposed by the former law.

The increased net income due to including therein the dividends received on the stock of other corporations was offset to some extent by the exclusion from income, under the income-tax law, of the income received on the obligations of States and Territories and political subdivisions thereof, and on the obligations of the United States and of its possessions.

The total amount assessed during the year on the basis of the taxable returns received was $43,395,449.77, to which should be added $2,107,388.71 assessed during the year as representing omitted taxes for the years 1909, 1910, 1911, and 1912, and $111,481.14 as representing the 50 per cent additional taxes assessed by reason of the failure of corporations to file their returns within the prescribed time, making the total assessments for the year $45,614,369.62. The $2,107,388.71 omitted taxes for previous years was placed upon the assessment list as a result of examinations made by revenue agents and inspectors and adjustments of returns in this office after the original assessments had been made.

The largest and most notable increases in the amount of tax assessed during the year over that of the preceding year occurred in the second New York, the first Illinois, the third New York, and the twenty-third Pennsylvania districts, the increases in the tax being in each case as follows:

Second New York	$1,750,627.19
First Illinois	534,796.06
Third New York	620,317.06
Twenty-third Pennsylvania	631,494.82

Other large industrial centers show substantial increases in the amount of tax assessed over that of the previous year, while 18 districts show a decrease.

The increase in the number of returns filed during the year represents an increase of 3.79 per cent over that of the previous year, while increase of taxable returns was 209.02 per cent, due almost entirely to the removal of the $5,000 specific exemption.

The 316,909 corporations making returns during the fiscal year report a capital stock of $64,071,319,185.53, an increase of $2,333,091,454.99 over that returned by 305,336 corporations for the preceding year; bonded and other indebtedness, $37,136,215,096.65, an increase of $2,386,698,743.02 over that reported for the previous year; net income, $4,339,550,008.77, an increase of $507,399,597.85.

Of the 316,909 corporations making returns during the year, 33,955 were made by class A corporations, 26,358 by class B, 96,113 by class C, 69,713 by class D, and 90,770 by class E.

The 33,955 corporations listed in class A, which embraces all incorporated financial institutions and insurance companies, report an aggregate net income equivalent to 13.52 per cent of the capital stock reported. Included in this list, however, are many insurance companies which have no, or only a nominal, capital stock.

The 26,358 corporations listed in class B, which embraces all public-service corporations, such as transportation companies, heating and lighting companies, report an aggregate net income equivalent to 4.55 per cent of the capital stock reported.

The 96,113 corporations in class C, which embraces industrial and manufacturing concerns, report a net income equivalent to 7.63 per cent of the capital stock reported.

The 69,713 corporations in class D, which embraces all mercantile corporations not otherwise classed as producers or manufacturers, report a net income equivalent to 10.44 per cent of the capital stock reported.

The 90,770 corporations in class E, which includes such miscellaneous corporations as are not otherwise classed, report a net income equivalent to 5.21 per cent of the capital stock reported.

The taxable returns made during the year represent 59.59 per cent of the whole number filed. The percentage of taxable returns differs in accordance with the class of corporations making them. In class A, 28,527 corporations, 80.4 per cent of the whole number making returns, returned a taxable income; in class B, 14,430, or 54.74 per cent; in class C, 51,443, or 53.52 per cent; in class D, 47,732, or 68.46 per cent; and in class E, 46,734, or 51.48 per cent.

The work of investigating the returns of annual net income of corporations and checking them with their books or annual reports for the purpose of determining whether or not all taxable income had been returned, has been prosecuted with all possible vigor, such investigations being limited only by the force of revenue agents available for this purpose. As a result of these investigations and adjustments made in this office more than $2,000,000 of taxes have been assessed during the year covered by this report in excess of the amount assessable on the basis of the net income returned.

Because of the addition to the field force of a large number of agents and inspectors, these investigations are now covering a larger scope of territory than has been possible to cover with the limited force heretofore available for this purpose, and the results should be correspondingly increased, at least as to the number of corporations examined.

The benefit accruing from the field examinations, while made for the primary purpose of verifying returns, is not to be measured entirely by the amount of omitted taxes uncovered. These examinations are educational in character, in that the corporations gain from intelligent and competent examiners a clearer conception and understanding of the law and regulations, and are induced to install, if they have not already done so, a system of bookkeeping and accounting that will enable them to make their returns in conformity with the requirements of this office. This campaign of education will of itself result in returns which are more nearly true and accurate, and consequently more readily handled by the bureau.

For the four years 1909 to 1912, inclusive, there was collected as special excise tax on corporations $118,060,868.39. During the fiscal year 1914 there was collected as special excise tax $10,671,077.22. Of this amount $3,110,737.09 was collected prior to January 1, 1914, on assessments made on returns filed for the year 1912 pursuant to the requirements of section 38 of the act of August 5, 1909. The remaining $7,560,340.13 includes omitted taxes for previous years discovered by examining officers and as a result of office adjustments, as well as the special excise tax imposed by section 2 of the act of October 3, 1913, on incomes for the months of January and February, 1913.

The $10,671,077.22 thus described, added to the $118,060,868.39 previously collected, makes a grand total of $128,731,945.61 special excise tax collected for the years 1909 to 1912, inclusive, as well as for the months of January and February, 1913.

By reason of revenue agents' examinations and office adjustments this amount will be further increased for the next year or two.

Of special excise and income tax there was collected during the fiscal year ended June 30, 1914, the sum of $43,127,739.89 as against an aggregate assessment during that period of $45,614,369.62. During the months of July and August, 1914, there has been col-

lected on account of special excise and income tax assessed against corporations for previous years the sum of $4,461,852.90, which includes the unpaid balance of the assessment of $45,614,369.62 referred to above and which amount will be returned as collections for the fiscal year ending June 30, 1915.

Tabulated statements containing information relative to corporations making returns pursuant to the requirements of the Federal income-tax law will be found elsewhere in this report, the information being summarized and covering both States and collection districts.

PERSONAL INCOME TAX.

Immediately after the approval, on October 3, 1913, of the act of Congress providing for a tax on the net incomes of individuals the preliminary work of organizing the division was begun.

As the provision in the law providing for "withholding at the source" was to become operative on November 1, 1913, the first and most urgent work undertaken was the preparation of the necessary regulations for a proper enforcement of the provisions of the law, and also the preparation of the various forms required. The large volume of correspondence relative to the enforcement of the provisions of the income-tax law had also to be cared for, and up to March 1, 1914, it required about 30 clerks to handle the correspondence alone.

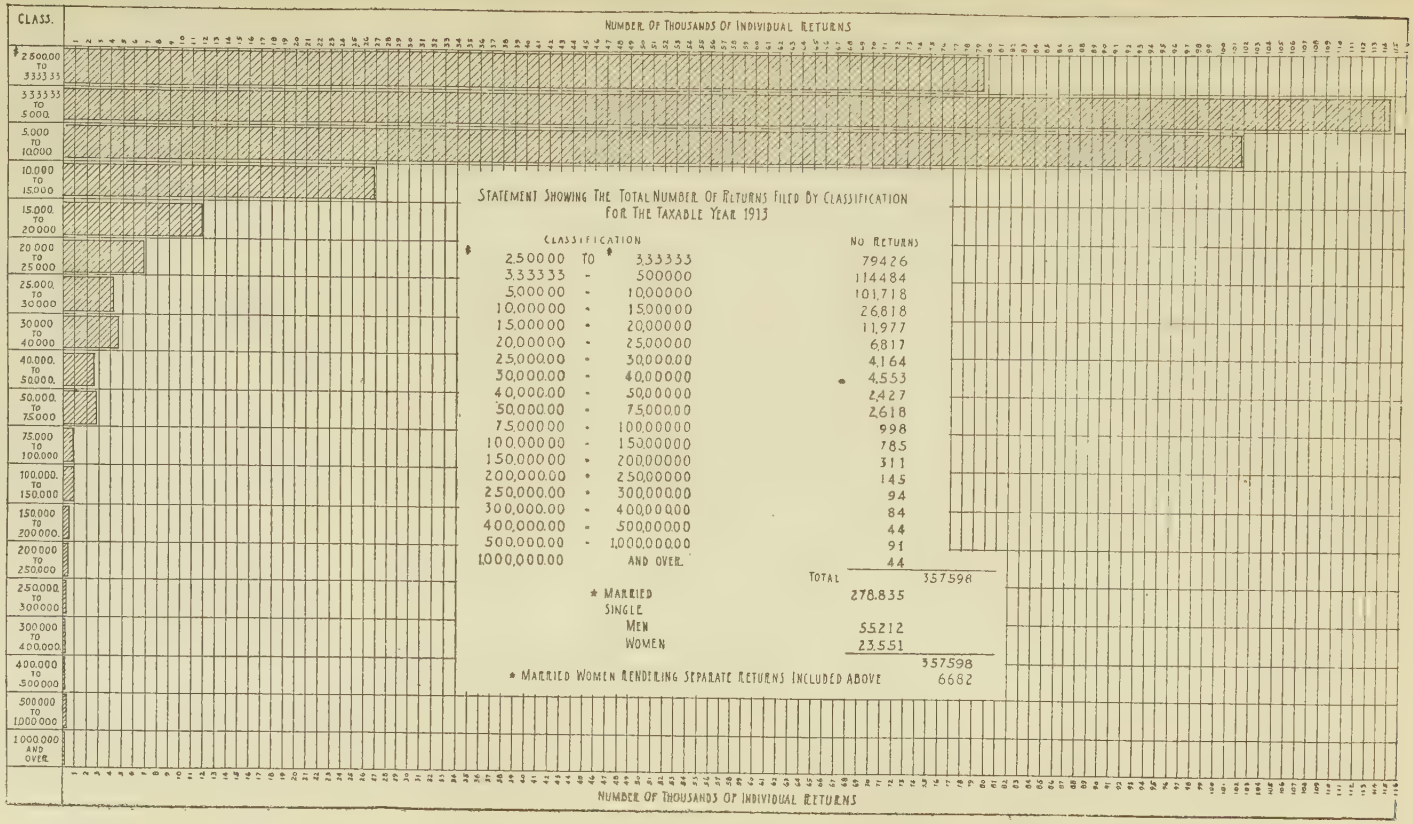
In the limited period from October 4 to December 31, 1913, the necessary regulations and the numerous forms had to be prepared and issued, the very heavy and in many respects difficult correspondence had to be answered, the selection and training of a clerical force of more than 100 clerks, devising a system that would prove efficient and economical for the handling of the great volume of work, were some of the problems that those in charge of this work were called upon to solve. The work of this division has been handled with system and dispatch and as satisfactorily as could be expected with the very limited time given for the organization of the work. All returns filed by individuals and withholding agents are being given a thorough examination and audit, and it is expected that this work will be completed before the returns for 1914 are received.

For the fiscal year ending June 30, 1914, the collections from individual income tax amounted to $28,253,534.80, classified to conform to the provisions of the act, as follows:

Income tax, normal	$12,728,038.02
Income tax, additional:	
Net incomes exceeding $20,000 and not more than $50,000	2,934,754.40
Net incomes exceeding $50,000 and not more than $75,000	1,645,639.30
Net incomes exceeding $75,000 and not more than $100,000	1,323,022.61
Net incomes exceeding $100,000 and not more than $250,000	3,835,948.45
Net incomes exceeding $250,000 and not more than $500,000	2,334,582.95
Net incomes exceeding $500,000	3,437,850.23
Offers in compromise, etc	13,698.89
Total	28,253,534.85

It is to be noted that for the year 1913 the individual returns of net income cover only the period from March 1 to December 31, and as the interest and dividend payments made in January, 1913, and income received in January and February, 1913, from other sources were not required to be returned, the above figures do not fully

Table and chart showing the total number of individual income-tax returns filed, by classification, for the taxable period March 1 to December 31, 1914.



STATEMENT SHOWING THE TOTAL NUMBER OF RETURNS FILED BY CLASSIFICATION FOR THE TAXABLE YEAR 1913

CLASSIFICATION			NO. RETURNS
$ 2,500.00	TO $	3,333.33	79426
3,333.33	-	5,000.00	114484
5,000.00	-	10,000.00	101,718
10,000.00	-	15,000.00	26,818
15,000.00	-	20,000.00	11,977
20,000.00	-	25,000.00	6,817
25,000.00	-	30,000.00	4,164
30,000.00	-	40,000.00	* 4,553
40,000.00	-	50,000.00	2,427
50,000.00	-	75,000.00	2,618
75,000.00	-	100,000.00	998
100,000.00	-	150,000.00	785
150,000.00	-	200,000.00	311
200,000.00	-	250,000.00	145
250,000.00	-	300,000.00	94
300,000.00	-	400,000.00	84
400,000.00	-	500,000.00	44
500,000.00	-	1,000,000.00	91
1,000,000.00	AND OVER.		44
		TOTAL	357598

* MARRIED 278.835

SINGLE

MEN 55212

WOMEN 23.551

357598

* MARRIED WOMEN RENDERING SEPARATE RETURNS INCLUDED ABOVE 6682

reflect the net income of individuals for a full calendar year, as will be the case for the year 1914.

Of the 357,598 returns filed, 1,426 were filed by American citizens residing abroad, and represent a total net income of $19,843,399.83, and 425 were filed by nonresident aliens, and represent a total net income of $7,317,842.10.

No statistics have been prepared showing the amount of tax withheld at source for the reason that such withholding was required only for November and December, 1913, and the amounts withheld for these two months were so small that the data available would be of no practical value.

In the statistical section of this report will be found tables showing the total number of returns filed for the taxable year 1913, classified according to size of income and as to collection districts and States.

OLEOMARGARINE.

During the fiscal year ended June 30, 1914, there was reported produced 137,637,054 pounds of uncolored oleomargarine and 6,384,222 pounds of the colored, making a total of 144,021,276 pounds of both classes, as against 138,707,426 pounds of uncolored and 6,520,436 pounds of colored, a total of 145,227,862 pounds produced during the fiscal year 1913, being a decrease of 1,070,372 and 136,214 pounds, respectively, or a total net decrease of 1,206,586 pounds in the production of the two classes during 1914.

The withdrawals tax paid during 1914 amounted to 137,747,982 pounds at the rate of one-fourth cent per pound and 3,831,706 pounds at 10 cents, or a total of 141,579,688 pounds, as compared with 138,242,848 pounds at one-fourth cent and 4,090,658 pounds at 10 cents, making a total of 142,333,506 pounds tax paid at both rates during the fiscal year 1913, being a decrease of 494,866 pounds at one-fourth cent and 258,952 pounds at 10 cents, a total decrease of 753,818 pounds tax paid at both rates during 1914.

The decrease in the withdrawals tax paid is due to some extent to the fact that there was withdrawn free of tax for use of the Government as supplies, under provisions of section 3464 Revised Statutes, 100,200 pounds of uncolored and 469,340 pounds of colored, or a total of 569,540 pounds of both classes. A decrease of 37,182 pounds of uncolored and 296,811 pounds of colored is shown in the withdrawals free of tax for export during 1914, as compared with the previous year.

The collections from all oleomargarine sources during the fiscal year 1914 were $1,325,219.13 as compared with $1,259,987.67 for 1913, an increase of $65,231.46. Of these collections for 1914 $21,260 was from special taxes as manufacturers; $13,200 from wholesale dealers in the artificially colored product; $180,192.10 from wholesale dealers in the uncolored and $35,146.50 from retail dealers in the colored product; $311,634.33 from retail dealers in uncolored, $419,874 from stamp tax at 10 cents per pound, and $343,912.16 stamp tax at one-fourth cent.

A total of 2,704 violations of this law were reported during 1914 as against 1,745 for 1913. These violations involved 2,327 persons—67 for violations as manufacturers, including the cases of illicit manufacture through the addition of artificial coloration to the uncolored product, 89 wholesale dealers, and 2,171 retail dealers.

A special force was detailed during 1914 to detect violations of this law in certain cities and investigate the product of factories placed on the market as free from artificial coloration under stamps at one-fourth cent, and a large number of violations were developed, including the discovery that the product of certain factories tax paid at one-fourth cent was artificially colored and taxable at 10 cents per pound, involving an amount represented by the difference at 9¾ cents of over fifteen million dollars, and every effort possible is being made to collect this additional tax due. The factories of the offending manufacturers were seized and prosecutions instituted against those responsible for these violations. In addition to these there were instituted criminal action against 22 illicit manufacturers, 2 wholesale dealers, and 4 retail dealers, resulting in the conviction of 6 illicit manufacturers, 1 wholesale dealer, and 3 retail dealers and the acquittal in one case of illicit manufacture. The other violations were either compromised or dropped upon recommendation of the officers, or are now pending.

Attention was called in the annual report for the fiscal year 1913 to the desirability of a change in the present oleomargarine law, with its dual rate of taxation, to one imposing a flat rate upon the product without distinction as to coloration and with provision for individual or original packages of sizes fixed by the statute, each bearing tax-paid stamps, marks, and brands so as to thoroughly identify the character of the contents to the ultimate purchaser.

The conditions found in the enforcement of this law which brought about the previous recommendation have not improved during the past year, but, on the other hand, have become more aggravated, entailing greater effort and expense in the administration of the statutes relating to this product and it seems likely that such conditions will continue so long as the present law remains in force.

It is suggested that some legislation to correct these conditions and make the law a revenue measure in fact is urgently needed.

ADULTERATED BUTTER.

During the fiscal year ended June 30, 1914, there were reported 48 cases against manufacturers of adulterated butter, 4 wholesale dealers and 7 retail dealers in this product, a total of 61 under act of May 9, 1902, practically all of which grew out of the discovery that the butter placed on the market by certain manufacturers and sold by the dealers in question contained moisture of 16 per cent or more, which brought it within the classification of adulterated butter and made it subject to tax of 10 cents per pound and the manufacturers and dealers to the special taxes imposed by law. These cases resulted in a total collection of $43,079.38, a decrease of $11,092.42 in the collections from this source for 1914, as compared with the figures for 1913.

No criminal actions were instituted in any of these cases, as in every instance there was no evidence of knowledge or intent to engage in the business or evade taxes due.

This law is in urgent need of revision, as has been previously pointed out, it being unsatisfactory from both an administrative and revenue standpoint, as the cost of enforcement is undoubtedly much larger than the collections made thereunder.

RENOVATED BUTTER.

A decrease is shown in the production and withdrawal, tax paid, of renovated butter during the fiscal year ended June 30, 1914.

There were 32,470,030 pounds produced and 32,513,244 pounds withdrawn, tax paid, as against 38,354,762 pounds produced and 38,285,114 pounds withdrawn, tax paid, during 1913, a decrease of 5,884,732 and 5,771,870 pounds, respectively, in these items.

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STAMPS.

During the fiscal year 4,097,848,115 internal-revenue stamps of all classes and denominations were shipped to collectors of internal revenue. Of this number 4,091,077,715 represented a face value of $334,568,151.12. There was an increase of 231,186,469 in the number of all stamps, and an increase of $13,074,561.57 in the face value of stamps delivered to collectors during the year. Stamps having no money value were delivered to the number of 6,770,400. These include stamps for rectified spirits, wholesale liquor dealers' packages, distillery warehouse stamps, etc.

INTERNAL-REVENUE STAMP PAPER.

Advertisements were published inviting sealed proposals to furnish distinctive paper on which to print internal-revenue stamps for the fiscal year ending June 30, 1915, and five were received, ranging from 4.47 cents to 4.90 cents per pound. The contract was awarded to the lowest bidder. The previous contract price was 4.50 cents per pound. During the fiscal year the bureau ordered 2,108,317½ pounds of stamp paper at a cost of $94,939.02.

PRODUCTION OF STAMPS.

All of the stamps issued by this bureau are engraved and printed by the Bureau of Engraving and Printing, with the exception of tobacco stamps imprinted on tin-foil wrappers. The printing of the stamps is done under contracts and without cost to the Government, the contractors receiving their remuneration from the purchasers of the stamps and reimbursing the Government for the salaries of agents and counters necessary to properly supervise the work.

RESTAMPING.

One hundred and sixty applications for restamping tax-paid articles, under section 3315, Revised Statutes, were considered and disposed of during the year.

STAMPS RETURNED.

Stamps of various kinds and denominations, fractional books from outgoing officials, and stamps for which there was no use, to the value of $18,785,001.61, were returned by collectors and credited in their accounts.

STAMPS REISSUED.

The practice of destroying sheet stamps, returned in broken lots by collectors, has been abolished. They are now placed in the stamp vaults, except when in too small quantities, and are reissued to collectors.

COUNTING EXPEDITED.

On May 9, 1914, a change to the spread system of counting stamps that are received from the Bureau of Engraving and Printing was inaugurated, resulting in an accurate count of all stamps before they are shipped to collectors. This change effects an economy that increases the counting capacity of the sixteen counters by fifty per cent.

AUDITING PRACTICE REVISED.

For half a century the practice has been to forward to the Auditor for the Treasury the book stamps and coupons, having money value, that were returned to the Treasury by collectors and which were not charged to the official who had received them. This custom was revised on July 1, 1914, under a ruling of the Comptroller of the Treasury, dated June 20, 1914, which directs that such stamps and coupons shall be held by and charged to the commissioner, whose certificates shall be accepted by the auditor as sufficient evidence upon which to give credit to collectors for stamps returned to the Treasury.

SHORTAGE CLEARED UP.

The shortage in the stamp account that occurred June 7, 1899, by the theft of beer stamps, amounting to $10,000, that were in course of shipment, has been cleared up by returning to the vault stamps that had been recovered in 1900 to the value of $9,199, and by securing from Congress a relief act in the amount of $801.

REVENUE AGENTS.

The revenue agents appointed under section 3152, Revised Statutes, and the field officers who have been assigned to duty under their direction during the past fiscal year have in the main maintained the usual high standard that has prevailed in the past and are deserving of high commendation. The efficiency and capabilities of the revenue agents and inspectors appointed under the act of October 3, 1913, have been commented upon elsewhere in this report. Illicit distilling, during the past fiscal year, increased slightly over the preceding year. During the past fiscal year (1913–14) there were seized and destroyed 504 illicit distilleries, as against 459 during the preceding year. Bootlegging is principally carried on in States operating under local prohibition laws, and appears to be one of the hardest propositions that revenue officers are called upon to solve. This class of violators of the internal-revenue laws are at no time stationary, but move from place to place, offering and selling their illicit wares. It is impossible, owing to the limited number of revenue officers in the field, to break up this practice entirely and, without the hearty cooperation of the local and State authorities, it is believed that the conditions will grow no better. As the various States vote "dry" the operations of the bootlegger grow larger.

RECOMMENDATIONS.

The following recommendations for statutory changes have been made from year to year in the various annual reports, but inasmuch as the need of the legislation referred to is very great, I have the honor again to submit them, viz:

1. *Denatured alcohol.*—To impose a nominal tax—say, 1 cent per proof gallon—on all alcohol withdrawn for denaturation, which tax

would yield a return approximately equal to the amount that should be appropriated to properly take care of the work.

2. *Tobacco.* Section 3360 of the Revised Statutes should be amended so as to require every dealer in leaf tobacco to give bond, make a true inventory of stock on the 1st day of January of each year, and to render report of transactions quarterly, monthly, or for such periods, and within 15 days after the close of such periods, as the Commissioner of Internal Revenue may prescribe. Section 35 of the act of August 5, 1909, should likewise be amended with respect to retail dealers in leaf tobacco being required to give bond, etc., and section 26 of the act of October 1, 1890, should be amended so as to require registry of manufacturers of cigars, manufacturers of tobacco, dealers in leaf tobacco, retail dealers in leaf tobacco, and peddlers of tobacco on commencement of business only and not on the 1st day of July of each year, as at present.

3. *Oleomargarine.* A thorough revision of the oleomargarine law is recommended to make it a revenue measure and its enforcement effective at less expense than has been incurred in the administration of this law in past years.

4. *Adulterated butter.* This law is in urgent need of revision, as has been previously pointed out, it being both unsatisfactory from an administrative and revenue standpoint, as the cost of enforcement is undoubtedly much larger than the collections made thereunder.

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OPIUM.

During the fiscal year ended June 30, 1914, there were $738 internal revenue tax collected from opium manufactured for smoking purposes. The act approved January 17, 1914, regulating the manufacture of smoking opium within the United States and for other purposes repealed the former act of October 1, 1890, in so far as it related to the manufacture of smoking opium and considerably strengthened the law besides increasing the rate of tax from $10 to $300 per pound and the bond required of such manufacturers from not less than $5,000 to not less than $100,000. There was also passed by the Congress another act on January 17, 1914, entitled "An act to amend an act entitled 'An act to prohibit the importation and use of opium for other than medicinal purposes,' approved February 9, 1909," which also considerably strengthened the last-mentioned act.

Opium and preparations and derivatives thereof as put up for medicinal purposes, however, can be easily secured and the process of its manufacture into smoking opium is so simple and can be carried on so easily that considerable illicit manufacturing continues notwithstanding all efforts to detect violations of law. The need of additional legislation relative to the manufacture and sale of opium as presented in previous reports of the Commissioner of Internal Revenue, it is believed, will be met by the "Habit-forming drugs act" which has passed both houses of Congress with amendments and is now in conference for adjustment of amendments.

Respectfully,

W. H. Osborn,
Commissioner of Internal Revenue.

Hon. William G. McAdoo,
Secretary of the Treasury.

ABSTRACTS OF REPORTS OF BUREAUS AND DIVISIONS.

The following is a summary of the reports of bureaus and divisions of the Treasury Department for the fiscal year ended June 30, 1914, with the exception that the figures in relation to loans and currency are brought down to October 1, and those for public moneys to November 1.

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MINT SERVICE.

Operations of the mints.

The following mint service institutions were operated during the fiscal year 1914: Coinage mints at Philadelphia, San Francisco, and Denver; assay office at New York, which has a large trade in bars of fine gold and silver; mints at New Orleans and Carson City and assay offices at Seattle, Boise, Helena, Salt Lake City, and Deadwood, these being bullion purchasing agencies for the large institutions. Refineries were operated at the New York, Denver, and San Francisco institutions. The operations of the purchasing agencies were very materially limited for more than eight months of the year on account of the lack of sufficient funds to meet expenses, especially for transporting bullion, the appropriation for this purpose having been practically exhausted by the middle of October, 1913, three and one-half months after the beginning of the fiscal year.

The original deposits of gold at mint service offices during the year totaled $146,296,555.30.

The United States coinage of the year amounted to $36,047,386.24, of which $26,625,810 was gold, $6,240,219.45 was silver, $2,020,727.80 was nickel, and $1,160,628.99 was bronze. There were also coined at the Philadelphia Mint 7,000,080 pieces of silver for the Government of San Salvador, and at the San Francisco Mint 2,275,438 pieces of silver and 5,000,000 bronze pieces for the Philippine Islands Government.

The seigniorage on United States coinage executed totaled $5,421,960.63, of which $3,013,060.36 was on subsidiary silver and $2,408,900.27 was on minor coin.

The purchases of silver during the fiscal year amounted to 6,140,397.13 ounces, costing $3,581,963.15, at an average price of 58 cents per ounce, fine.

Appropriations, expenses, and income.

Amounts appropriated for the fiscal year totaled $1,154,130, which, together with unexpended balances of permanent appropriations amounting to $12,700.13 and reimbursements within the service and from other Government services of $84,795.45, aggregated an available total of $1,251,625.58.

The total expenses chargeable to appropriations were $1,138,303.36; those chargeable to income were $22,365.35; aggregate, $1,160,668.71.

The income, including $5,421,960.63 seigniorage realized by the Treasury from the mint service, totaled $5,957,157.58.

Income and expenses are itemized below:

INCOME.

Mint charges on bullion		$297,328.81
Proceeds of stock medals and proof coin sold		6,773.97
Charges for manufacture of special medals		9,359.76
Charges on foreign coinage executed		67,970.58
Charges for work done for other institutions		6,871.33
Refund on account of reduction in contract price of electricity		93.78
Receipts from special assays of bullion and ores		3,342.00
Surplus bullion recovered (including 87 cents minor)		48,919.84
Gain on bullion shipments to refineries	$634.90	
Less contra losses	283.80	
		351.10
Commission on telephone calls		2.63
Cashier's surplus and interest thereon		519.93
Proceeds of sale of old material		2,364.99
Proceeds of sale of by-products		90,798.23
		535,196.95
Seigniorage on subsidiary silver coinage		3,013,060.36
Seigniorage on minor (nickel and bronze) coinage		2,408,900.27
Total		5,957,157.58

EXPENSES.

Salaries of officers and clerks	277,135.97
Wages of workmen	611,403.91
Contingent expenses (including equipment), less amount to reimburse wastage and loss on sale of sweeps	224,240.10
Wastage of operative departments (gold and silver)	13,049.42
Loss on operative sweeps sold	2,486.30
Freight on bullion and coin shipments between mints and assay offices	9,987.66
	1,138,303.36
Wastage of operative departments (minor metal) [1]	2,107.77
Expense of distributing minor coin [1]	20,257.58
	1,160,668.71

Deposits, income, expenses, and employees, by institutions.

The number and value of deposits, the income (including seigniorage), and the expenses of the fiscal year 1914, and the number of employees on June 30, 1914, at each institution, are given below:

Institutions.	Number of—		Value of gold and silver deposits.	Income.	Expenses.[2]	Freight on bullion and coin.	Employees, June 30, 1914.
	Deposits.	Redeposits.					
Philadelphia	8,436	37	$14,344,708.02	$3,812,197.41	$458,697.24	$866.40	313
San Francisco	8,927	389	48,483,460.35	518,388.79	204,281.61	.....	119
Denver	4,335	1,872	36,965,841.87	1,386,484.86	187,949.90	.....	95
New York	13,319	298	63,839,263.06	220,865.86	187,888.87	.....	91
New Orleans	518	.....	783,955.23	2,264.35	16,811.01	289.68	14
Carson City	649	.....	333,161.67	2,324.21	7,356.46	221.80	4
Boise	901	.....	1,132,593.40	3,730.50	7,763.56	612.15	5
Helena	444	1	730,803.84	1,943.32	8,876.20	640.50	6
Deadwood	193	.....	2,774,689.18	4,856.04	8,789.60	1,247.60	5
Seattle	1,798	30	8,249,272.60	3,836.53	38,257.95	6,036.38	19
Salt Lake City	167	.....	121,259.00	549.51	5,170.45	73.15	3
Total	39,687	2,627	177,759,008.22	5,957,441.38	1,131,842.85	9,987.66	674

[1] Payable from the seigniorage on minor coinage.

[2] Includes freight on bullion and coin.

Production and consumption of gold and silver.

The production of gold in the United States for the calendar year 1913 is estimated by the Bureau of the Mint, in conjunction with the Geological Survey, at approximately 4,299,784 ounces, fine, having a value of $88,884,400. The production of silver is estimated at 66,801,500 ounces, fine, having a commercial value of $40,348,100.

The industrial consumption in the United States during the year is estimated at $37,501,831 of new gold and 23,128,368 ounces, fine, of silver.

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BUREAU OF ENGRAVING AND PRINTING.

The appropriations by Congress for the operation of the Bureau of Engraving and Printing amounted to $3,576,007, and the repayments received for services and materials furnished the several executive departments and bureaus were $828,930.48, the aggregate available for the work during the year having been $4,404,937.48. The expenditures were $211,230.94 for salaries, of which $1,493.17 was for employees detailed to other branches of the department and not reimbursed; $1,716,908.40 for compensation of employees, of which $8,246.63 was for employees detailed to other branches of the department and not reimbursed; $1,789,769.75 for wages of plate printers and assistants; $646,065.95 for materials and miscellaneous expenses; and $8,947.77 for check paper, making an aggregate expenditure of $4,372,922.81, and leaving unexpended $32,014.67.

The work performed by the Bureau of Engraving and Printing during the fiscal year aggregates 280,272,828 sheets, a decrease of 6,919,364 as compared with the previous year.

The decrease in the output was due to the fact that the requisitions of the United States Treasurer and of the Comptroller of the Currency for United States notes and certificates and national-bank notes could not be filled, due to the failure of the Congress to grant the bureau the full amount of the deficiency appropriation submitted. Consequently by the end of the fiscal year the stock of notes in the Treasurer's reserve vault became lower than it had been for years, and the Comptroller of the Currency had unfilled orders on file in the bureau for 4,300,000 sheets of national-bank notes, and it became necessary to furlough the plate printers and assistants each 12 days without pay and the other employees each 6 days.

The deliveries comprised 73,606,000 sheets of United States notes and certificates; 3,000 sheets of United States bonds; 12,523,164 sheets of national-bank notes; 80,195,136 sheets of internal-revenue stamps; 200,500 sheets of customs stamps; 107,271,741 sheets of United States postage stamps; 2,808,654 sheets of United States parcel-post stamps; 216,306 sheets of Philippine postage stamps; 423,793 sheets of silver certificates, bonds, commissions, documentary and internal-revenue stamps, and postal cards for the Philippine Islands; and 3,024,534 sheets of checks, drafts, etc. In addition to these sheets delivered, miscellaneous work was executed to the value of $78,062.79. The face value of all classes of securities, internal-revenue stamps, postage stamps, etc., delivered by the bureau amounted to $2,293,066,823.31.

Compared with the deliveries in the fiscal year 1913, there was a decrease of 4.19 per cent in United States notes, certificates, and bonds, 21.46 per cent in customs stamps, and 4.03 per cent in postage stamps, and an increase of 0.11 per cent in national-bank notes, 0.91 per cent in internal-revenue stamps, and 8.08 per cent in checks, drafts, and miscellaneous, or a net decrease for all classes of 2.4 per cent.

Equipping and moving into new building.

An appropriation of $681,107 was made for mechanical equipment, machinery, furniture, and fixtures for and expenses of moving machinery, furniture, and fixtures from the old building to the new building. Of this amount $42,086.70 was expended for labor and $638,679.51 for machinery, furniture, and fixtures. Twenty-five new power plate printing presses were installed and printing thereon was commenced February 24, 1914. Moving from the old to the new building was commenced February 24, 1914, with the dismantling of the 25 power presses vacated by the printers, who on the same day started new presses in the new building.

Temporary employees were engaged to move the equipment from the old building under the direction of the officials of the bureau, rather than having the work done by contract. The task of moving the vast amount of machinery and equipment was energetically pushed in cold, rainy, and snowy weather, and into a building not completed. As fast as the space in the old building was vacated, the contractors for remodeling it for use as an auditors' building started their work. By March 26, in a period of 30 days, the old main building was emptied of everything, except the contents of the plate vaults and of the drying boxes, without any serious accident to men or machinery, without the loss of a single security, and without any reduction in the usual daily printings and deliveries. The new plate vault was not ready to receive the dies, rolls, and plates until March 28 and, pending the completion by the contractor of the new drying equipment, temporary dry boxes were erected in the new building, one-half having been ready for use March 30 and the balance on April 23, and the old dry boxes were within three days thereafter removed from the old building. The west and south outbuildings of the old buildings will continue to be occupied by the bureau.

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OFFICE OF THE SUPERVISING ARCHITECT.

The majority of the buildings placed under contract during the fiscal year ending June 30, 1914, were authorized in the public-buildings act approved June 25, 1910. There were also placed under contract a few projects authorized in earlier legislation, action upon which had been deferred from time to time for various reasons, such as necessary additional or amendatory legislation, contemplated changes in sites, etc. During the year a certain amount of work was undertaken preliminary to taking up the projects authorized subsequently to the public buildings acts referred to above. It is estimated that the plans and specifications for all of the work authorized prior to the public buildings act approved March 4, 1913, will not have been prepared before the end of the fiscal year 1915.

The existing volume of public building authorizations is the greatest in the history of the Office of the Supervising Architect. At the present rate of output, the last of the building projects now authorized will not be placed under contract until after January 1, 1920.

The Public Buildings Commission created by the public buildings act approved March 4, 1913, submitted its report to Congress under date of April 30, 1914. This report is printed as House Document No. 936, Sixty-third Congress, second session. At the close of this fiscal year no action had been taken by Congress on the recommendations submitted by the commission. Pending action on the report of the commission, no changes in the organization of the Office of the Supervising Architect have been made other than such minor adjustments as are permissible within the limitations of existing legislation.

Among the more important authorized projects for which the plans and specifications are in course of preparation at the close of this fiscal year, or which are awaiting their turn for action, are the following:

The immigration stations at Boston, Mass., and Baltimore, Md.

The appraisers' stores building at Boston, Mass.

The post office and courthouse at Charlotte, N. C.

The new building for the Interior Department in the District of Columbia.

The central heating, lighting, and power plant in the District of Columbia.

The laboratories for the Bureau of Mines in Pittsburgh, Pa.

Preliminary studies for a national archives building, and for a new building for the Patent Office.

The customhouse, courthouse, and appraisers' stores at Wilmington, N. C.

The post office at Syracuse, N. Y.

The subtreasury at St. Louis, Mo.

The post office and courthouse at Birmingham, Ala.

The post office and courthouse at Madison, Wis.

The post office at Seattle, Wash.

Bills have been introduced both in the House and Senate authorizing the construction of a building for the Department of Justice in the District of Columbia. The bills place the direction of this work in the Treasury Department. Neither bill had passed Congress at the close of this fiscal year.

During the fiscal year ending June 30, 1914, the total expenditures on account of all appropriations under the control of the Supervising Architect amounted to $18,712,436.14, which is $446,082.68 in excess of the expenditures for the fiscal year 1913. Of the total stated above for the fiscal year 1914, the sum of $789,240.30 was disbursed for the support of the Office of the Supervising Architect, both in Washington and in the field, and for payments of accruing fees to private architects. The net expenditure for all other purposes (sites, new construction, repairs, maintenance, and operation) was $17,923,195.84. The cost of administration, amounting, as stated, to $789,240.30, was 4.2 per cent of the net amount expended.

At the close of the fiscal year ending June 30, 1914, the contract liabilities existing were $5,524,683.15 less than the contract liabilities existing at the close of the preceding year. This difference is due to the fact that during the fiscal year ending June 30, 1914, there were

completed, or practically completed, several large contracts for work carried on independently of the current work in the Office of the Supervising Architect. These appear in the statement of contract liabilities existing at the close of the year ending June 30, 1913, but cease to appear as such a year later. Among these large projects were the new post office in the District of Columbia and the new building for the Bureau of Engraving and Printing.

The unencumbered balance available July 1, 1914, was $11,274,283.06 less than the unencumbered balance available July 1, 1913. This difference is due to the fact that neither the legislative bill for the fiscal year 1915, the sundry civil bill for the same year, nor the general deficiency bill for the fiscal year 1914 had been approved on or before the close of business June 30, 1914. Upon their passage, the sums carried in these bills will augment the amounts otherwise available during the fiscal year 1915, although they do not appear in the statement of balances available July 1, 1914. The amounts available for construction work during the latter part of the fiscal year 1915 will be further augmented by the appropriation acts for the fiscal year 1916, which must be approved on or before March 4, 1915.

The statements which follow show, in summarized form, the status of projects authorized by Congress and in detail the financial operations of the Office of the Supervising Architect for the fiscal year ending June 30, 1914.

BUILDINGS.

Buildings completed and occupied at the close of the preceding fiscal year, June 30, 1913	758	
Number of marine hospitals and quarantine stations (each station consisting of a number of buildings)	54	
New buildings completed during the fiscal year ending June 30, 1914.. (Building completed at San Juan Quarantine Station not included.)	67	
Total	879	
Buildings included in the above which have been sold, demolished, or otherwise disposed of (barge office, New York)	1	
Net total number of completed buildings under the control of the Treasury Department, June 30, 1914		[1] 878
Buildings placed under contract during the fiscal year ending June 30, 1914	80	
Buildings placed under contract prior to the commencement of the fiscal year 1914, and not completed June 30, 1914	45	
Buildings in the course of erection at the close of the fiscal year 1914		125
Total number of buildings completed and in course of erection June 30, 1914		1,003
Buildings authorized prior to the act of March 4, 1913, not under contract June 30, 1914	122	
Buildings authorized in the act of March 4, 1913	304	
Total		426
Total buildings completed, in course of erection, or authorized (not including extensions)		[2] 1,429

[1] Does not include buildings erected by the Treasury Department and transferred, on completion, to the custody of other departments. Includes extensions which, on completion, become merged with the original structure and cease to be carried separately. Each marine hospital and quarantine station is counted as one building.

[2] Includes buildings not as yet erected which, on completion, will be transferred to the custody of other departments.

EXTENSIONS.

Extensions completed during the fiscal year ending June 30, 1914	9
Extensions to Public Health Service facilities completed during the fiscal year ending June 30, 1914 (Quarantine stations, San Juan, P. R., and Honolulu, Hawaii.)	2
Extensions placed under contract during the fiscal year ending June 30, 1914	4
Extensions placed under contract prior to July 1, 1913, and not yet completed June 30, 1914	10
Extensions authorized prior to the act of Mar. 4, 1913, not under contract June 30, 1914	9
Extensions to Public Health Service facilities authorized but not under contract prior to the commencement of the fiscal year 1914 (Quarantine station, Portland, Me., and marine hospital, Key West, Fla.)	2
Extensions authorized in the act of Mar. 4, 1913	23

RECAPITULATION.

Contracts completed during the fiscal year ending June 30, 1914:	
New buildings	68
Extensions (including quarantine stations, San Juan and Honolulu)	11
Miscellaneous projects	2
Total	81
Contracts awarded during the fiscal year ending June 30, 1914:	
New buildings	80
Extensions	4
Miscellaneous projects	6
Total	90
Contracts awarded prior to July 1, 1913, not completed June 30, 1914:	
New buildings	45
Extensions	10
Miscellaneous projects	1
Total	56
Contracts in force July 1, 1914, regardless of date of award:	
New buildings	125
Extensions, including marine hospital, New York, N. Y.	14
Miscellaneous projects	7
Total	146

Statement of appropriations for public buildings, July 1, 1913, to June 30, 1914.

EXPENDITURES DURING THE FISCAL YEAR.

For statutory roll	$225,763.24
For sites and additional land	682,251.25
For construction of new buildings	9,155,141.33
For extensions to buildings	1,555,153.16
For special repairs to buildings	111,675.55
For rent of buildings	127,035.63
For repairs and preservation	768,938.56
For mechanical equipment	498,127.86
For vaults and safes	92,051.42
For operating supplies	1,573,007.30
For electrical protection to vaults	18,474.12
For general expenses	527,775.25
For furniture and repairs of same	804,220.42
For furnishing new post office, customhouse, and courthouse, Cleveland, Ohio	2,149.73
For operating force	2,534,927.01
For lands and other property	42.50
For architectural competitions	35,701.81
Total	18,712,436.14

CONTRACT LIABILITIES EXISTING ON JUNE 30, 1914.

On account of statutory roll		$9,646.42
On account of sites and additional land		428,852.00
On account of construction of new buildings	$10,072,046.28	
On account of extensions to buildings	1,643,307.36	
On account of special repairs to buildings	63,498.20	
	11,778,851.84	
Less authorized contract liabilities in excess of amounts appropriated	3,354,987.83	
		8,423,864.01
On account of rent of buildings		37,314.13
On account of repairs and preservation		222,087.33
On account of mechanical equipment		146,394.90
On account of vaults and safes		59,064.41
On account of operating supplies		172,792.01
On account of electrical protection to vaults		3,712.25
On account of general expenses		72,705.90
On account of furniture and repairs of same		387,200.47
On account of operating force		84,111.42
On account of architectural competitions		14,123.55
Total		10,061,868.80

BALANCES AVAILABLE JULY 1, 1914.

For statutory salary roll	$4,004.19
For sites and additional land	1,844,179.67
For construction of new buildings	6,407,134.13
For extensions to buildings	1,086,429.56
For special repairs to buildings	565,574.82
For rent of buildings	90,559.45
For repairs and preservation	10,673.62
For mechanical equipment	11,745.24
For vaults and safes	782.39
For operating supplies	371,575.92
For electrical protection to vaults	456.53
For general expenses	115,383.40
For furniture and repairs of same	436,932.29
For lands and other property	557.50
For operating force	232,647.77
For architectural competitions	71,181.83
Total	11,249,818.31
Less unexpended balances of annual appropriations whose availability expired with the fiscal year ending June 30, 1914	488,317.46
Unencumbered balance available July 1, 1914	10,761,500.85

PUBLIC HEALTH SERVICE.

The Surgeon General reports the operations of the service through the seven administrative divisions of the bureau as follows:

Division of Scientific Research.

Owing to additional authority and larger appropriations granted, the year just ended marks the beginning of a new epoch in the development of investigations of public health matters. These investigations, either newly begun or enlarged, have related to diseases of man, rural sanitation, school hygiene, industrial hygiene, sanitary organization and administration, pollution of navigable waters, and disposal of sewage and wastes.

Among the several diseases studied special attention was devoted to diphtheria, hookworm disease, malaria, pellagra, leprosy, trachoma, typhoid fever, and tuberculosis.

Diseases of man.—Diphtheria studies were made in connection with an outbreak of the disease in Detroit, Mich.

Malaria studies were continued in Alabama and extended to Arkansas, Connecticut, Florida, Georgia, Louisiana, North Carolina, South Carolina, and Tennessee. The work was conducted in cooperation with State and local authorities, its object being to determine (1) the prevalence of the disease, (2) the cause of its continuance, (3) the methods of control. Through educational and advisory means, antimalarial work was conducted in several communities.

Intensive studies of pellagra from epidemiologic and laboratory standpoints have been conducted at Savannah, Ga., Spartanburg, S. C., Milledgeville, Ga., Jackson, Miss., and other places. Important data have been collected to throw light on the noninfectiousness of the disease and other phases of the problems involved. With a special appropriation of $7,000 additional metabolic studies are being undertaken in a newly equipped hospital at Spartanburg.

The studies of leprosy were continued in the Hawaiian Islands.

Investigations of trachoma in the Appalachian Mountains were continued and the general prevalence of the disease outlined in mountainous sections of Georgia, Kentucky, North Carolina, Tennessee, South Carolina, Virginia, and West Virginia. The data, which show an undue prevalence of the disease in many sections, have been published.

An act of Congress approved June 23, 1913, having authorized the use of the "epidemic fund" for trachoma prevention, work was begun in the mountains of Kentucky, and three small hospitals were so located as to draw patients from an area 100 miles square. Their locations are Jackson, Breathitt County; Hindman, Knott County; and Hyden, Leslie County. Notwithstanding the first one was opened in September and the third one not until March, a total of 966 cases of trachoma were treated, thereby reducing the foci of infection by that number. In addition, individual instruction in prevention was given and literature relating to the disease sent to every household in the three counties mentioned.

Outbreaks of typhoid fever have been investigated in the rural sections of Virginia and in West Raleigh and Raleigh, N. C., Cumberland and Rockville, Md., and Portsmouth, Ohio.

The studies of tuberculosis related, first, to the merits of certain alleged remedies; second, to the influence of the migration of tuberculous persons in interstate traffic; and third, the relation of the disease to certain industries in a large urban community. As a result of studies made, the claim of Dr. F. F. Friedmann to have originated a specific cure for tuberculosis is not substantiated, and his claim that the inoculation of persons and animals with this organism is without harmful effect is disproved.

The studies of migration of tuberculous persons were made by four officers in Arizona, Colorado, California, New Mexico, Texas, and North and South Carolina. Only those in the first two states mentioned remain to be completed.

Rural sanitation.—Comprehensive studies were undertaken to encourage rural sanitation and efficient local health organization.

For this purpose three counties in three different States were selected, viz, Berkeley County, W. Va.; Lawrence County, Ind.; and Union County, Miss. Dorchester County, Md., was subsequently added. Being widely separated, they represented different conditions, although all had high typhoid rates. A total of fifteen officers were engaged in the surveys, and by June 30, 1914, there had been visited 8,349 rural homes, 156 schoolhouses, 24 post offices, 20 railroad stations, 114 churches, and 8 quarries. So far as known, this is the most extensive survey of its kind yet made, and no work can have a greater influence in improving health conditions in rural communities.

School hygiene. A total of more than 1,000 schools, mostly rural, were visited in 10 States and data collected relating to the prevalence of diseases among pupils and sanitary conditions of buildings and grounds. In addition intensive studies were made of a large group of children to determine the relation between physical status and school progress.

Industrial hygiene. During the year increasing attention was paid to the hygiene of industries. At the request of the Joint Board of Sanitary Control of the Garment Workers' Trades in New York special studies were made of a large group of workers and the sanitary conditions under which they work. By June 30, 1914, a total of about 1,590 employees had been examined and a large number of tests made of illumination and ventilation of shops.

On request of the commission appointed by the Legislature of Indiana to investigate conditions surrounding the employment of women in that State, an officer was detailed to collect sanitary data.

On account of an unusual occurrence of trachoma among employees of the Youngstown Sheet & Tube Co., an officer examined 5,962 of its employees and made a survey of sanitary conditions in East Youngstown, Ohio, where the plant is located. Another officer assigned to duty with the United States Commission on Industrial Relations has been engaged in a study of sickness insurance and its relation to the prevention and cure of diseases among industrial workers.

In cooperation with the Bureau of Mines, studies have been made of the sanitation of mines in the mining industries of Arizona, Colorado, and Montana, and the metallurgical industry in the Pittsburgh district.

Sanitary organization.—On account of the importance of the development of local health organization and administration, systematic studies of this subject have been made in the States of Maryland and Minnesota and the cities of Baltimore, Md., and St. Joseph, Mo. The reports of these studies, with the exception of that made in Minnesota, have been published. Like studies have been planned for other States whose authorities have requested them.

Pollution of navigable waters. The sanitary surveys of interstate and coastal waters were continued. These include the Ohio and Potomac Rivers and coastal waters along the Atlantic and Gulf seaboards. In connection with these investigations studies of strawboard wastes and tannery wastes have been undertaken on the watersheds of the streams mentioned.

In the Ohio River studies alone seven temporary laboratories were operated, a total of about 10,000 samples having been examined by June 30, 1914, and a large amount of additional data collected.

Sewage disposal.—There is need of improved methods of disposal of sewage of isolated dwellings, small institutions, summer hotels, and rural villages. For studies of these problems two installations have been designed and completed. One is located on the grounds of the Hygienic Laboratory, and the other in a suburb of Washington. Both plants are now in operation. In addition a sewage holding device and a sanitary privy have been designed for testing.

Hygienic Laboratory.—While many of the above studies have been made in the field, the Hygienic Laboratory has been utilized in so far as possible, the technical studies at that institution being also increased.

Following the special researches a number of important results have been obtained. The contamination and dangers from the use of crotalin preparations have been shown. An improved selective medium for cholera has been devised. A new method for detecting tetanus bacilli in vaccine virus has been developed. The influence of preservatives in antimeningitis serum has been pointed out. The relative quantities of poisonous gases in the air of two railroad tunnels was determined. A relatively high content of soluble compounds in certain vegetables was shown, and studies made of their poisonous character. In addition to these and other researches, 473 specimens of blood were tested, a large number of drugs analyzed, and other examinations made. Antirabic treatments were administered to 134 persons, and 1,541 complete treatments sent out to State health authorities. In addition, 774 antityphoid inoculations were administered at the laboratory and 4,118 ampules (1 cubic centimeter each) of the vaccine sent out. In studies of raw and Pasteurized milk 49 babies were furnished for varying periods with safe milk, the supplies of which were furnished by the Bureau of Animal Industry.

Both the field and laboratory studies are being continued, and some of them will necessarily be enlarged, especially the studies of coastal waters and rural sanitation. For the former some additional funds will be required.

Division of Foreign and Insular Quarantine and Immigration.

The quarantine activities during the year have involved the inspection by Public Health Service officers, both at domestic and foreign ports, of 14,128 vessels, of which 2,731 were fumigated either for the destruction of rats or mosquitoes, or on account of the presence on board of one of the quarantinable diseases. On these vessels there were 1,549,570 passengers and crews. Taking into consideration the fact that all immigrants entering the United States are examined with a view to the detection of the quarantinable diseases, as well as for diseases deportable under the immigration laws, the medical officers have examined, all told, during the fiscal year 3,035,527 persons.

The discovery on February 22, 1914, of the reinfection of Habana, Cuba, with bubonic plague has caused special quarantine activity in connection with the traffic between Habana and United States ports. Conditions in the Mexican ports have lessened the amount of traffic

between that country and the United States, which, together with the fact that the city of Vera Cruz has been afforded special protection, has greatly modified the usual quarantine work in the summer in connection with preventing the introduction of yellow fever into the United States.

Two officers of the service were detailed on April 23, 1914, to proceed to Vera Cruz for duty under the orders of the naval commander in chief of the United States Fleet. Subsequently these officers were assigned to duty under Gen. Funston upon the relief of the naval forces on land by the Army.

With the exception of the appearance of cholera in Manila, this disease has not constituted a special menace during the year.

On April 9, 1914, the old form of bill of health previously issued by collectors of customs to vessels departing from United States ports for foreign ports was replaced by a new form of "Port sanitary statement," which is now being issued by officers of the Public Health Service.

During the year another vessel belonging to the department, namely, the steamer *Neptune*, on the Delaware River, was thoroughly overhauled and equipped with the latest model of apparatus for rat destruction. Shortly afterwards the vessel was placed in commission and sent to New Orleans in connection with the plague outbreak at that port

The year has marked a number of improvements in the general equipment at the quarantine stations, notably at Providence, R. I., and San Pedro, Cal. The old cruiser *Newark* was transferred to the former port and is being equipped as a floating quarantine station, while a large floating quarantine station was transferred from San Francisco to San Pedro, Cal.

Officers have been stationed, as usual, in the American consulates of the principal ports of Italy and in Asia, medical officers having been withdrawn from Mexican ports on April 24, 1914.

Medical inspection of immigrants.—During the fiscal year 1,485,957 aliens were inspected, and 41,250 were certified for rejection on account of physical or mental defects. Inspectors were stationed at 85 stations in the United States, Hawaii, and the Philippines, and while practically every officer in the service has taken part, more or less, in the work, 87 medical officers (33 commissioned officers and 54 acting assistant surgeons) were assigned to this duty exclusively.

The past year has marked a great improvement in the methods of examining immigrants upon their arrival. Not only have the facilities for this work been greatly increased, but the methods adopted in the medical examinations have been reorganized and systematized, and the result is shown in the number of certifications for the past fiscal year over the year ended June 30, 1913. In 1913 38,558 immigrants were certified, while during 1914 41,250 were certified. Especially is this increase noticed in connection with certificates rendered for mental deviation, including insanity, idiocy, imbecility, epilepsy, and feeble mindedness, 1,360 aliens having been certified this year, as compared with 883 certified during the year 1913. Increases in transactions are also noticed in the certification of such diseases as trachoma, tuberculosis, syphilis, and gonorrhea.

Division of Domestic Quarantine.

Bubonic plague.—Plague-preventive measures in San Francisco and near-by cities and counties have been continued. No new foci of infection having been discovered, field operations in California will be curtailed during the next fiscal year. The Federal plague laboratory in San Francisco will be continued.

Plague-suppressive measures in Seattle, Wash., are being continued, looking to the prevention of the spread of the infection to other points by vessels and other common carriers.

No plague infection having been found in Porto Rico during the period from July 1, 1913, to October 31, 1913, this work was discontinued on the latter date.

Bubonic plague was reported present in New Orleans on June 27, 1914. The first case to occur was at 713 St. Joseph Street, where a Swedish sailor developed the disease, the patient later being transferred to the Charity Hospital, where the diagnosis was made.

The Surgeon General was directed by the Secretary of the Treasury to proceed to New Orleans to assume charge of the situation, he being authorized to take necessary measures to protect the health of the rest of the country, as well as to inaugurate an eradicative campaign.

Rocky Mountain spotted (tick) fever.—In the eradicative campaign against Rocky Mountain spotted fever in the Bitter Root Valley of Montana last year experiments were begun by the Public Health Service for the purpose of determining the value of grazing sheep over tick-infested territory in fighting the disease. The experiment with a small band of sheep was extremely encouraging, and it is the intention of the service to continue the experiments with a large band of 5,000 sheep.

Control of lepers.—The Public Health Service has been requested from time to time by various State and local health officers to take charge of persons found within their jurisdictions suffering with leprosy. Several bills providing for the Federal care of lepers are at the present time pending in Congress.

Water and ice for passengers on interstate carriers.—In order that there might be a standard from which to judge of the purity of water and ice supplied passengers in interstate traffic, a commission was appointed, consisting of eminent scientists, together with officers of the Public Health Service, for the purpose of determining a standard of purity. This commission has gone into the question very carefully, and it is expected that its report will be submitted at an early date.

The railroad and steamship lines throughout the United States have been requested by the Public Health Service to furnish a list of the sources from which they obtain water and ice for the use of passengers in interstate traffic. They have readily complied with this request, and in a number of instances, the bureau having informed them that the water obtained from certain sources was unfit for drinking purposes, they have discontinued its use. A number of steamship companies have agreed to use every precaution and provide mechanical means for supplying their passengers with safe drinking water.

An amendment to the Interstate Quarantine Regulations was promulgated relating to water for drinking and cooking purposes furnished on interstate vessels.

Sanitary work in Alaska. An officer of the service has been in Alaska the greater part of the year, having charge of the suppression of outbreaks of contagious diseases. At his suggestion, individual towels and drinking cups have been introduced into the schools of the territory.

Smallpox was reported during the year at Hoonah, Alaska, and energetic measures enforced under the direction of the service officer resulted in its prompt suppression.

Sanitary supervision of interstate carriers. Sanitary inspection of trains and other common carriers continue to be made by officers of the Public Health Service traveling on official business. Much good has resulted from these inspections, and in most instances the railroads have expressed a willingness to remedy insanitary conditions when reported.

A report having been received of an outbreak of typhoid fever and gastroenteritis among passengers on several vessels plying the Great Lakes, an officer was detailed to investigate the circumstances. His report contains excellent data on methods of securing water supplies for lake vessels, with recommendations for the prevention of similar outbreaks.

Inspection of public buildings.—In accordance with Executive order of May 12, 1912, detailed inspections of Government buildings in Washington have been made by a service officer for the purpose of ascertaining sanitary conditions. A number of changes in buildings have been made in the interests of the health of employees.

Public lectures, sanitary education, etc.—For the purpose of cooperating with State and local health officers in the prevention of the interstate spread of disease, the Public Health Service has inaugurated a system of lectures, with the use of moving pictures and stereopticon views. These lectures have proven very successful in arousing public interest in sanitary matters. The bureau maintains a library of stereopticon slides, which are furnished to officers in the field and loaned to local and State health officers for educational purposes.

Cooperation with Panama-Pacific Exposition authorities.—At the request of the president of the exposition, an officer has been detailed to take charge of sanitary and emergency relief work at the exposition grounds. A hospital has already been established for the care of exposition employees. Another officer has been detailed to act as superintendent of hygiene and sanitation exhibits at request of the exposition authorities.

The Public Health Service is also engaged in the preparation of an exhibit to be shown at the exposition as part of the general exhibit of the Federal Government.

Division of Sanitary Reports and Statistics.

Special attention has been given during the year to ascertaining he prevalence and geographic distribution of dangerous communiable diseases in the United States. No health department, Federal, tate, or local, can effectively prevent or control a disease without

knowledge of when, where, and under what conditions the disease is occurring.

State and Territorial health officers, in conference with the Public Health Service at Minneapolis in 1913, approved a model State law for the collection of morbidity statistics which, if enacted and enforced, will supply the information regarding the occurrence of disease above referred to. Special effort has been made during the year to familiarize those interested in public health work with the admirable provisions of this law and to gain their support in urging its enactment by the several States.

While the Treasury Department is intrusted with the responsibility of preventing the interstate spread of diseases dangerous to the public health, this work depends largely upon the extent and manner of the intrastate control of communicable diseases by the respective State and local health authorities. Information has been secured of these intrastate activities largely through a record of the enactment of laws and the promulgation of regulations on sanitary matters and matters pertaining to the public health in States and lesser political subdivisions. Through the study of current sanitary legislation, not only have the activities of intrastate authorities been watched, but it has been possible to render much valuable assistance in the drafting of effective legislative enactments for localities, to encourage the copying of the more efficient laws and regulations, and to increase the tendency toward uniformity in these matters. As far as possible, a careful study has also been made of currently enacted legislation, not only for the purpose of knowing the nature of the laws being enacted, but that assistance and advice might be given which would make more efficient and more economical both intrastate and interstate control of disease.

The Public Health Reports have been issued throughout the year, pursuant to acts of Congress approved February 15, 1893, and August 14, 1912. Through their pages, Federal, State, and local health authorities have been kept currently informed, to the extent that the information was available, of the prevalence and geographic distribution of the dangerous communicable diseases. This has served to give timely warning of the approach of epidemics and the need and nature of sanitary measures required for the protection of the respective localities. Through this publication, also, these health authorities have been kept informed of the sanitary laws and regulations being enacted by States and municipalities throughout the country. The field of sanitary legislative activities has thus been spread before each individual health officer, from which it has been possible for him to discard the chaff and select the best for adoption in his own jurisdiction.

Information in regard to sanitary matters and the prevention of diseases in households and communities has been furnished to the public through supplements to the Public Health Reports, which are issued in the form of small pamphlets.

Division of Marine Hospitals and Relief.

During the fiscal year ended June 30, 1914, 53,415 patients received treatment as beneficiaries of the service. Of this number, 14,469 were treated in hospitals and 38,814 were treated as dispensary or

out-patients. The hospital patients received a total of 411,225 days' treatment. During the year the service operated 23 marine hospitals, all of which are owned by the Government, and maintained 120 other relief stations where hospital and dispensary relief was furnished patients.

At the tuberculosis sanatorium of the service located at Fort Stanton, N. Mex., 328 patients were cared for during the year. Of these, 86 were discharged, 56 died at the sanatorium, and 186 remained under treatment at the close of the year.

Aid was extended to other branches of the Government in the physical examination of 6,851 persons, 417 of whom were rejected. In addition, 95[illegible] merchant seamen were physically examined to determine their fitness for duty on American vessels, of whom 30 were rejected; also 6 foreign seamen were examined, of whom 1 was rejected.

Life-Saving Service claims.—During the year, 585 claims for benefits under the act of May 4, 1882, by keepers and surfmen of the Life-Saving Service have been passed upon by the officer in charge of this division, based upon the medical evidence submitted. Physical examinations of keepers and surfmen of said service have been continued.

Division of Personnel and Accounts.

Commissioned and other officers.—The commissioned medical officers at the close of the year numbered 167, as follows: The Surgeon General, 10 senior surgeons, 66 surgeons, 43 passed assistant surgeons, and 47 assistant surgeons. The acting assistant surgeons numbered 239, in addition to 18 acting assistant surgeons appointed for duty in field investigations of public health, making, all told, 424 medical officers. The total personnel of the service, including 46 pharmacists, 1,064 attendants, and 111 other employees, numbered 1,645.

Expenditures.—The appropriations for the ordinary maintenance of the service were $1,8[illegible]4,746. The receipts from all sources, repayments for care of foreign seamen, etc., were $16,572.12. The expenditures were $1,769,724.23; estimated outstanding liabilities, $31,301.95, leaving an estimated balance of $5[illegible],291.94.

The appropriations for preventing the introduction and spread of epidemic diseases were $300,000. The repayments were $88. The expenditures, including outstanding liabilities, were $199,588.48, leaving an estimated balance June 30, 1914, of $100,499.52, of which amount $100,000 is available during the fiscal year 1915.

The appropriation for the maintenance of the quarantine service was $155,000. The amount of repayments was $1,421.97. The expenditures were $149,054.62, including outstanding liabilities, leaving an estimated balance of $7,367.35.

The unencumbered balance of the appropriation for national quarantine and sanitation at the beginning of the fiscal year was $22,798.01; there was transferred to the books of the Supervising Architect $3,453.50; other expenditures were $625.32, leaving an unencumbered balance June 30, 1914, of $18,719.19.

The appropriation for field investigations of public health matters was $200,000. The expenditures were $156,733.15; estimated outstanding liabilities, $5,282.07, leaving an estimated balance of $37,984.78.

The appropriation for interstate quarantine service was $15,000. The expenditures were $11,241.27, including outstanding liabilities, leaving an estimated balance of $3,758.73.

Miscellaneous Division.

Publications.—The demand from all parts of the country for health literature is growing rapidly. This is shown by the fact that the Public Health Service distributed nearly three times as many publications during the fiscal year 1914 as in any year preceding. During this year the service prepared and published 111 different bulletins and other documents on public health subjects. These were printed in editions aggregating 1,487,015 copies, which were distributed without charge to the public. Many of the editions became quickly exhausted, and as a consequence a large number of copies were sold by the Public Printer at the cost of printing.

Recommendations.

Special attention is invited to the need of additional medical officers. Within the past decade the work of the service has been greatly expanded, and while additions to the corps of officers have been made from time to time, the problem of finding a sufficient number of trained officers for the duties imposed by law has been a serious one. The shortage has been keenly felt during the past summer, when the appearance of bubonic plague in New Orleans demanded that officers be taken from important field work and concentrated in that city for the intensive campaign of plague eradication now being conducted there.

Another urgent need of the service is that of additional clerical assistance in the bureau at Washington. The increases in clerical force have not been commensurate with the increase in supervisory, administrative, and detail work incident to greatly extended operations in the field. As a result the bureau has been handicapped in its work and at times has been unable to grant to employees leaves of absence to which conscientious service has entitled them.

An additional building for the Hygienic Laboratory should be provided. The work of the laboratory is intimately connected with field work in the investigations of diseases of man, pollution of streams, sewage disposal, and the sanitation of interstate carriers, and its steady growth requires increased accommodations for the force of workers employed.

An important factor in the conduct of public health work is a thorough knowledge of the occurrence, prevalence, and distribution of disease. It is apparent that to eradicate or prevent the spread of disease, information must first be obtained as to where it is present. An appropriation for the employment of field agents to be used for the collection of information of this nature is urgently recommended.

The demand for service publications during the fiscal year has far exceeded any previous year in the history of the service. Although nearly three times as many were printed and distributed as during the fiscal year 1913, the bureau was not able to comply with all requests. Provision for larger editions should be made by increased printing appropriations for the department.

LIFE-SAVING SERVICE.

In three important particulars the statistical record of the operations of the Life-Saving Establishment for the last fiscal year shows larger totals than are to be found in any similar annual enumeration of results in the history of the service, namely, the number of vessels reported as having suffered accident or disaster, the number of persons on board said vessels, and the value of the property (vessels and cargoes) exposed to damage or loss.

The number of vessels involved was 1,937. These carried 9,296 persons, and were valued with their cargoes at $21,507,860. Of the persons mentioned, 38, or 1 in 245, perished. The number of persons brought ashore or conveyed elsewhere to safety was 4,762. The estimated value of the property lost was $2,724,660.

As regards the number of vessels involved, it should be stated that the increase over the preceding year's figures (an increase of 194) is chargeable to the record of casualties to vessels of the undocumented class, embracing small craft—gasoline launches, sailboats, etc.—of less than 5 tons' burden, such as largely frequent harbors and other sheltered waters.

The number of documented vessels of 5 tons' register and upward that suffered disaster during the year within the scope of the service was actually smaller than the number so reported during 1913, being 522 as against 552 for the year last named. These 522 documented vessels carried a total of 5,539 persons of whom 26 were lost and were valued with their cargoes at $20,368,330, nearly $6,000,000 more than the total value of 552 vessels of the same class similarly jeoparded in 1913. They suffered loss to the amount of $2,654,130.

The most important feature of the record of casualties to undocumented craft is their number, which was 1,415, or 224 more than were reported for 1913. Of the 3,757 persons on board when they were overtaken by misfortune, 12 were lost. The value of these vessels with that of their cargoes (which was negligible), was $1,139,530, of which amount $70,530 represents the value of the property lost.

There were succored by the life-saving corps during the year a total of 920 persons, to whom 1,234 days' relief was afforded. Of the number first named, 430 were from distressed or disabled vessels, 178 had sought refuge at the stations from storms or been detained on the beaches by high water, etc., while 312 were victims of flood in Texas.

A summary of the year's casualty record of the service follows:

Number of vessels involved	1,937
Vessels totally lost	82
Persons on board	9,296
Lives lost	38
Persons conveyed to land or elsewhere to safety	4,762
Persons succored	920
Days' succor afforded	1,234
Value of vessels involved	$17,304,840
Value of cargoes	$4,203,020
Total value of property involved	$21,507,860
Value of property saved	$18,783,200
Value of property lost	$2,724,660

Exceptional demands were made upon the establishment in certain sections of the country during the year as the result of two disastrous

visitations of nature, namely, the memorable blizzard that swept the region of the Great Lakes from November 8 to 11, 1913, and the devastating flood in Texas in December of the same year caused by the overflow of the Brazos and Colorado Rivers.

Of the more than threescore vessels damaged or lost in the first instance, 28, valued with their cargoes at $3,204,000 and carrying 222 persons, suffered casualty within the scope of the service. Happily not a single life was lost from any of the 28.

In the case of the Texas flood, in which thousands of lives were imperiled and millions of dollars worth of property destroyed, practically the entire area affected was outside the recognized field of operations of the life-saving corps. Several crews of boatmen were, nevertheless, dispatched from the Gulf stations of the service into the inundated territory. Their services, which were notable, are briefly set forth elsewhere in this statement.

Sources of assistance to vessels.

In the discharge of their duties the life-saving crews often have the cooperation of outside agencies, such as the vessels of the Revenue-Cutter Service and of private salvage companies, and, occasionally, the assistance of local fishermen and other persons residing in the neighborhood of their stations. This is especially true with respect to seagoing craft driven ashore by stress of weather. The most important duty of the corps in such cases is to save life. This service they perform nearly always without help, being usually first upon the scene of the disaster. The saving of the vessels, however, is sometimes beyond their resources, particularly when large craft are involved. Revenue cutters and wrecking tugs, being designed for this heavy work, which is necessarily prosecuted from offshore, are in the majority of such cases called by telegraph or telephone to the aid of the corps. When such a situation is presented, to the service falls much of the labor preparatory to floating, namely, taking soundings, running lines, operating pumps, jettisoning cargo, planting anchors, and transporting, by boat, wreckers and others engaged in the salvage work.

In 1,476 of the 1,937 cases of accident and disaster reported for the year, in which the property endangered was valued at $4,542,985, the life-saving crews worked alone. It should be stated in this connection that fully three-fourths of the vessels comprising the number first named were undocumented—launches, sailboats, etc. Their value, as will be observed, was little more than one-fifth of the total value of the property endangered. Nevertheless, they carried 5,295, or 57 per cent, of the entire number of persons aboard vessels of all classes that suffered casualty within the field of service operations

Upon 323 of the 1,937 occasions of disaster (involving documented vessels for the most part) in which the value of property imperiled was $10,641,655, the life-saving crews had outside assistance of the character above mentioned. The number of persons aboard these vessels was 2,691.

Sixty-three of the 1,937 vessels, valued with their cargoes at $4,263,190, and carrying 787 persons, were assisted by outside agencies only; while 75, valued with their cargoes at $2,060,030, and

carrying 523 persons, received no assistance whatever, having extricated themselves from danger or been totally lost before assistance could reach them.

Besides assisting disabled and wrecked vessels as referred to in the preceding paragraphs the life-saving crews rendered in the course of the year to vessel owners and ship masters aid of more or less importance upon 237 occasions, in 124 of which the vessels involved were documented and in 113 undocumented. These vessels were not in immediate danger, but the services performed were nevertheless of no little value to the persons assisted, and such, moreover, as only the corps could perform to best advantage. The aid thus extended consisted mainly of emergency piloting in dangerous waters, looking after sick or injured boatmen and sailors, replenishing supplies of water, provisions, and fuel aboard vessels, and carrying messages and persons to and from shore. These cases are not included in the foregoing statistical statement.

The patrol and watch system of the service also must be given credit for important achievement of a preventive character. Maintained throughout the night during the "active season," and during daytime in thick weather, this feature of the service gave warnings, by pyrotechnic lights, lanterns, flag signals, and other means, to 198 vessels discovered in dangerous waters or about to run ashore, thereby enabling them to avert disaster. Warnings were given at night in 179 instances, and in the daytime in 19. Of the vessels warned 132 were steamers. That much property was saved by these warnings can not be doubted. It may be assumed also that loss of life as well was sometimes averted.

The net expenditures for the maintenance of the service during the year were $2,309,317.41. It will be observed that this sum is vastly less than the value of the property saved by the service, to say nothing of the saving of life—the chief function of the establishment.

Flood service in Texas.

Reference was made in last year's report to the services performed by several life-saving crews in the Middle Western States in March and April, 1913, during the prevalence of a devastating flood.

In the following December the department was appealed to again to afford similar assistance to victims of flood in Texas, occasioned by the overflow of the Brazos and Colorado Rivers in that state, as already mentioned. The appeal was made by the Galveston Commercial Association through Hon. Morris Sheppard, United States Senator. The station crews of the ninth life-saving district (Gulf coast) were promptly placed at the disposal of the committee mentioned, and no time was lost in sending men and boats into the inundated territory. The crews of the Galveston, San Luis, and Velasco stations were detailed for this duty. In the course of their work these crews proceeded fully 150 miles inland and operated at and in the neighborhood of the towns of Bryan, Navasota, Richmond, Rosenberg, Orchard, Quintana, Velasco, Clute, Lake Jackson, Bonney, Anchor, Angleton, Columbia, Brazoria, and Thompsons. They were in the flooded region for varying periods between December 5 and 18, and succeeded in rescuing and succoring, all told, 803

persons, besides saving considerable property. A detailed account of their services while engaged upon this mission has been published by authority of the United States Senate in the form of a public document (S. Doc. 422, 63d Cong., 2d sess.).

Power boats for rescue and salvage work.

Comment has been made in former reports upon the remarkable efficiency of the power boats employed in the rescue and salvage work of the service. This feature of the station equipment, introduced as an experiment something over a decade ago, has in many respects revolutionized the methods of the establishment. When a rescuing crew had to depend upon oars and sails alone the field of the service was necessarily limited by the physical endurance of the boatmen and the state of the weather. The reliable power craft in use at many of the stations to-day, however—the product of assiduous and well-directed study and effort—afford the crews a means of travel practically unhampered by human limitations or storm, enabling them to cover long distances in a minimum of time and arrive on the scene of disaster with strength and efficiency unimpaired by overexertion or exposure, and consequently in condition to give the best account of themselves. This advantage is convincingly illustrated by the wreck of the steamer *L. C. Waldo*, which stranded on Gull Rock, off Keweenaw Point, Lake Superior, in the memorable Great Lakes hurricane of November 8–11, 1913. Almost in the height of the storm two life-saving crews—one from the Eagle Harbor Station, the other from the Portage Station—fought their way to the wreck, each in a power lifeboat, and rescued every one of the 24 persons on board. To reach the steamer the crew of the station first named had to travel a distance of 30 miles or more, while the distance covered by the crew of the station last named was fully 80 miles.

These boats are to be found to-day on all the coasts of the country, the heavier lifeboat being more largely employed at the Great Lakes and the Pacific coast stations, and the lighter power surfboat more generally used on the shallow beaches of the Atlantic. At the close of the fiscal year there were 147 power lifeboats and surfboats in commission, 10 of the first mentioned, of the 36-foot type, equipped with 35–40-horsepower engines, and 13 of the latter, with 12-horsepower engines, having been put in service since the close of the preceding year. Of the 4,762 persons brought ashore or taken to other places of safety by the station crews during the year, 2,486, or 52 per cent, were carried in these power lifeboats and surfboats.

Miscellaneous services of station crews.

The work performed by the life-saving crews in connection with casualties to vessels does not by any means represent the sum total of their labors in the public interest. Year by year they give valuable assistance to people in the neighborhood of their stations finding themselves in divers situations of danger or need. For want of a better classification the several branches of this endeavor are grouped under the above caption. Heading the catalogue of such accomplishment for the season of 1914 is to be found the record of

156 persons rescued from positions of danger both in the water and on land; 53 sick and 46 injured persons given medical and surgical first aid; 490 persons, victims of storm and flood, afforded shelter and subsistence for varying periods; the saving of much personal property, such as small boats, fish nets, automobiles, domestic animals, houses, aeroplanes, balloons, etc., endangered by storm, sea and tides, bogs, mire and quicksands, or lost on the beaches; aid upon 58 occasions in fighting fires involving buildings of various descriptions, piers, forests, etc.; and assistance to other branches of the public service in 76 instances.

Establishment, improvement, and rebuilding of stations.

Reference was made last year to contracts entered into for rebuilding the Nags Head and Poyners Hill, N. C., Life-Saving Stations, and for extensive improvements to the stations at Point Allerton, Mass., Ocean City, Md., and Burnt Island, Me. These have been completed. The rebuilding of the station at Cape Fear, N. C., begun last year, was temporarily suspended until further appropriations for continuing same should become available. This work will soon be completed.

The service suffered considerably during the year from storm and flood. The stations at which damage by these agencies was principally felt and the nature of the damage inflicted were as follows:

Atlantic and Gulf coasts.—Chatham, Mass., site so badly eroded that a change of location and new buildings were necessary; Hereford Inlet and Corson Inlet, N. J., site at each station so seriously damaged as to require protective construction; Velasco, Tex., site so badly damaged by flood that a change of location of station will be necessary. More or less damage was also suffered at the Rocky Point, L. I., and Watch Hill, R. I., stations.

Pacific coast.—Nome, Alaska, destruction of boathouse and launchway; Point Adams, Wash., serious erosion of site, necessitating removal of boathouse and launchway to another location; Humboldt Bay, Wash., damage to launchway. Minor damage was also sustained at certain stations on the coast of California.

Great Lakes.—Cleveland, Ohio, foundations and bulkhead cut out; Port Austin, Mich., boathouse and pier destroyed; Harbor Beach, Mich., breakwater destroyed and boathouse wrecked; Lake View Beach, Mich., boathouse and launchway wrecked; Pointe aux Barques Mich., launchway wrecked and boathouse damaged.

The territory affected extended from Massachusetts to Texas on the Atlantic and Gulf coasts, from Alaska to California on the Pacific coast, and embraced much of the coasts of Lakes Erie and Huron. It will therefore be seen that on no coast of the country did the stations of the establishment entirely escape the ravages of the elements.

A great deal of the damage enumerated above has already been repaired, and plans have been prepared looking to the complete restoration of all the property involved except in a few instances in which further investigation is necessary. It is expected, however, to complete all required work of repair during the coming year.

Among the larger projects under consideration for the future may be mentioned the following: At Coos Bay, Oreg., relocation of sta-

tion, considered necessary to afford adequate protection to shipping; on Mackinac Island, Mich., a new station; at Milwaukee, Wis., rebuilding of station. In the case of the project at Coos Bay, examination, report, and survey have been made; of that on Mackinac Island, plans for station completed; and of that at Milwaukee, examination made and sketches prepared.

These projects, all of them of great importance, will be consummated, if practicable, during the coming year.

Retirement pay for the life-saving corps.

The record shown in the foregoing pages was made in the face of an unfortunate situation, to which attention has been called in former reports, namely, a deteriorated life-saving corps.

The veteran surfmen of the service—those whose annual enlistments cover periods running back 20 or 30 years and whose experience and skill have been the mainstay of the corps—have been rapidly falling out of the ranks and the service has been compelled to fill their places with a class of men signally lacking in every essential of the capable surfman. The difficulty encountered in this respect has been so often recited that it is deemed unnecessary to go into detail here by way of explaining how badly the service is thus handicapped. It should be again asserted, however, that if the present state of affairs is permitted much longer to go unremedied it is bound seriously to impair the usefulness of the service, if it does not actually bring it into disrepute.

To put the establishment upon a proper basis of efficiency it is obviously necessary to provide for the retirement of these veterans and for filling their places, as well as the places now occupied by substitutes, with the best type of waterman to be found on the coasts. The proposition to unite, under the name of the "Coast Guard," the Life-Saving Service and the Revenue-Cutter Service seems to offer the most practical solution of the problem. A bill designed to accomplish this desirable object has passed the Senate, been favorably reported by the Committee on Interstate and Foreign Commerce of the House, and is now upon the House calendar.

This bill is heartily approved because its provisions appear to be vital to the welfare of a branch of the public service engaged in a work of incalculable importance. The value of the Life-Saving Establishment may in a measure be comprehended when it is stated that out of the multitude of persons imperiled in all the shipwrecks that have occurred within its scope during the 43 years since the present system was inaugurated a smaller number has been lost than perished in the memorable mid-sea disaster to the *Titanic*. This is the more remarkable when it is remembered that the service stations are located at the most dangerous points on the coasts. The salvage work of the service, moreover, has been scarcely less noteworthy. In point of fact the value of the property saved by the corps from year to year invariably largely exceeds the cost of maintaining the service.

The Life-Saving Establishment has long stood at the head of all kindred institutions, and it is inconceivable that Congress will allow it to run down and lose its efficiency for want of legislation that alone will rehabilitate and preserve it.

REVENUE-CUTTER SERVICE.

The following is a summary of the results of the operations of the Revenue-Cutter Service during the fiscal year 1914:

Lives saved or persons rescued from peril	476
Persons on board vessels assisted	1,687
Persons in distress taken on board and cared for	487
Vessels boarded and papers examined	28,787
Vessels seized or reported for violation of law	968
Fines and penalties incurred by vessels reported	$204,310.00
Regattas and marine parades patroled in accordance with law	50
Vessels to which assistance was rendered	210
Derelicts and obstructions to navigation removed or destroyed	31
Value of vessels assisted (including cargoes)	$9,056,551.00
Value of derelicts recovered and delivered to owners	$145,000 00
Appropriation for 1914, including appropriation for repairs	$2,479,393 51
Net expenditure for maintenance of the service, including repairs	$2,472,631 97
Estimated unexpended balance	$6,761.54

The foregoing is a résumé of the principal work performed by the vessels of the Revenue-Cutter Service during the past fiscal year (1913–14), that is, such work that can be recorded in statistical form. In its accomplishment there has been actively employed the entire floating force of the service, consisting of 25 cruising cutters and 18 harbor vessels and launches.

The weather conditions during the greater part of the year were about the average, but the months of February and March were unusually severe along the Atlantic coast, causing much distress among seafarers, who suffered considerably from the unusual cold. Many vessels were frozen in and had to be extricated by the vigilant cutters. As usual, the vessels most affected by the ice conditions were of the smaller sailing type, so that while the total number of vessels assisted during the fiscal year shows a substantial increase over those assisted during the former year 210 as compared with 179 of the previous year the total valuations of vessels and cargoes assisted, owing to the large number of small vessels in distress, shows a decrease. This total valuation of property saved during the fiscal year, however, amounts to $9,201,551, a by no means poor showing for a service the total cost of maintenance for which during the year was $2,472,632; or, in other words, for each dollar invested in the Revenue-Cutter Service there was $3.72 worth of the floating property belonging to the public saved from the sea and thus conserved for further use. There were 109 cases of miscellaneous assistance of all kinds where it was impossible to fix any definite sum as being saved; 30 derelicts or other menaces to navigation were recovered or destroyed, and 476 lives saved from jeopardy.

The great variety of the services rendered constitutes an extremely interesting series of marine mishaps. These are extended over all waters of the United States and its Territories where revenue cutters are stationed or which are in reach of these busy vessels. The entire Atlantic coast from Maine to Texas, the coast of Porto Rico, the waters of the Great Lakes, the entire Pacific coast, the territorial waters of the Hawaiian Islands, and of Alaska are all included in the operations of the service, and the following are brief outlines of some of the more important and interesting incidents of rescue work.

One of the most disastrous gales ever recorded occurred on the Great Lakes November 12–14 last. Much damage was done to shipping. Among the vessels wrecked was the 3,000-ton steamer *William Nottingham*, which went ashore on Parisienne Shoal, Whitefish Bay. The revenue cutters *Mackinac* and *Tuscarora* lent every assistance possible to float the craft. A large wrecking derrick, *No. 21*, broke adrift from the steamer on the afternoon of December 13 during the gale which then raged. By desperate efforts the *Mackinac* managed to get a line abroad and then towed the derrick to safe anchorage. As the wind and sea had become violent, the *Tuscarora* approached within hailing distance of the *Nottingham* and found her crew calling for help, as they were afraid their vessel would break in two before morning. The *Tuscarora* was then maneuvered near the bow of the stranded vessel and a line put aboard. By working the engine and skillfully handling the line the cutter's bow was kept near the bow of the *Nottingham*, and at every possible opportunity the shipwrecked men either jumped or were pulled on board. By dark the rescuers had succeeded in getting 14 men and 1 woman off the wrecked vessel. November 17, after the cargo had been lightered, the *Nottingham* was released from the shoal and proceeded to the Soo under her own steam.

On last New Year's eve the revenue cutter *Miami*, while searching for derelicts in the Gulf of Mexico, sighted a large three-masted schooner with the fore trysail set and apparently in distress. Upon coming alongside she was found to be the schooner *Cheslie*, of Parrsboro, Nova Scotia, bound from Moss Point, Miss., to Habana, Cuba, and in need of assistance. She had encountered the terrific gale which devastated shipping in the Gulf on Christmas Day. Her headsails and jibboom were carried away, deckhouse wrecked, and her deckload of heavy timber washed overboard. The shifting deckload smashed her bulwarks and caused her seams to open up. She filled with water in a short time, but the nature of her cargo kept her afloat. In addition to all these misfortunes her provisions and water were exhausted. A quantity of meat, bread, and fresh water was put aboard the distressed vessel and she was towed to Key West. Part of the crew had also mutinied and refused to work. These men were removed from the vessel to the revenue cutter, and when the schooner was safely anchored at Key West the mutinous members of the crew were turned over to the authorities.

The three-masted schooner *Thomas Winsmore* on January 4, 1914, was in a predicament where the services of a revenue cutter were needed about as badly as ever happens. In a stiff westerly gale, with both anchors down and dragging on a lee shore, rolling heavily in a cross sea, deck load shifted, and 5 feet of water in the hold, it seemed that this schooner's end was close at hand. In addition to all these troubles, the captain feared that his crew would mutiny. Fortunately, the revenue cutter *Seminole* observed the plight of the schooner and went immediately to her assistance. An attempt to shoot a line on board the distressed vessel proved futile, owing to the high wind. The sea was too rough to lower the surfboat, but by a liberal use of oil the cutter was enabled to get a 4-inch line on board, by means of which a 10-inch hawser was secured to the schooner. In a short time the unfortunate vessel was towed to safe anchorage and arrangements

were made to send an armed boat's crew to assist the master of the schooner in the event that his crew should again become mutinous.

In January last the revenue cutter *Woodbury* picked up a call of distress from the British steamer *Cobequid*, which had gone ashore on the bleak coast of Nova Scotia in a snowstorm. After a most hazardous trip across the mouth of the Bay of Fundy the *Woodbury* arrived at the scene of the wreck only to find that the crew and passengers of the wrecked steamer had been taken off a few hours previously by a Canadian steamer. On the return of the *Woodbury*, January 16, 1914, she picked up a radiogram stating that a schooner was in distress 8 miles south of Matinicus. By aid of the searchlight a large four-masted schooner, which turned out to be the *Northland*, of 2,046 tons, was observed drifting with some of her sails blown away, others split, booms adrift, leaking badly, and with all 12 of her crew suffering so severely from frostbites that they were unable to work. The *Woodbury* put four of her own crew aboard the distressed vessel and, after securing the loose sails and spars, ran a line to her and proceeded to Rockland Harbor, where she was safely anchored.

During the month of January, owing to storms and ice in Chesapeake Bay, a large number of small oyster and fishing vessels were in distress. The revenue cutter *Apache* did her utmost to relieve these vessels wherever she could. As a result of her efforts not less than 15 vessels were assisted or saved from destruction during that month. The commanding officer in reporting on the work stated that the most satisfactory feature of his efforts was that the property saved belonged to citizens of limited means, who, in most cases, could not afford the charges of salvage and would have been otherwise obliged to abandon their property, their sole means of livelihood.

On May 17, 1914, the *Seneca* picked up a steamer's boat at sea. This belonged to the wrecked steamer *Columbian*, and in it were four men, the only survivors of 15 of the crew who had escaped in the boat. Eleven had succumbed to cold and hunger, and when the four survivors were taken aboard the cutter they were in a pitiable condition, having had nothing to eat for several days except a few cracker crumbs and pieces of shoe leather. By prompt medical assistance and the gradual administration of food the lives of all four men were saved.

Removal of derelicts.

The work of searching for and removing dangerous derelicts and other menaces to navigation was vigorously prosecuted during the past year. Probably no task accomplished by the Revenue-Cutter Service affords greater security to the marine interests of the country, as well as to all travelers by sea, than the work performed in this important field. Before this matter was taken up systematically by the Revenue-Cutter Service steamship masters had constantly in mind the danger of their vessels striking these lurking obstacles to safe navigation. During the year 30 derelicts scattered widely over the navigable waters adjoining our coasts, but principally on the Atlantic seaboard, were destroyed or removed. The total valuation of the derelicts which were towed in and restored to the owners amounted to the not inconsiderable sum of $145,000.

The following incident will serve to illustrate the work of the Revenue-Cutter Service in removing derelicts from the paths of navi-

gation. From October 11 to 22, 1913, the *Androscoggin* searched for, located, and towed into Boston, Mass., the derelict steamship *Templemore*, 6,200 tons burden, which, having caught fire, was abandoned by her crew and allowed to drift in the lanes of trans-Atlantic traffic. The blazing vessel was sighted on October 13, but owing to the rough sea, it was impossible to board the derelict until the following morning. Boats from the cutter then went alongside and, by means of grapnels thrown over the rail of the burning vessel, the men climbed on board and made lines fast to the bitts on her quarter, the bow of the vessel being too hot to approach. With her awkward and almost unmanageable tow the *Androscoggin* started slowly ahead in the direction of Boston. At times it was possible to make a speed of only 2 knots per hour, and during a northerly gale which sprang up on the 17th a distance of only 5 miles was made in 12 hours. In spite of the most trying circumstances, of gales and fogs, the *Androscoggin* finally succeeded in entering Boston Harbor and turned the wreck over to the underwriters on October 22. This is undoubtedly the largest derelict ever towed into port, and as two steamships had attempted to tow the burning vessel before the revenue cutter picked her up and had abandoned the task much credit is due the officers and men of the *Androscoggin* for the successful termination of their persevering efforts.

Ice patrol.

The patrol of the North Atlantic for the purpose of giving trans-Atlantic steamers approaching the regions traversed by the ice in the spring and summer months timely warning as to the exact location of dangerous bergs and fields of ice has been continued. During the seasons of 1912 and 1913 this ice patrol was maintained by the United States alone, but during the season of 1914 the patrol assumed an international character. The international convention for the safety of life at sea, signed at London, provided among other things for the establishment and maintenance of an international service of ice observation and ice patrol, the expense to be borne by the several maritime nations interested, and the United States was invited, under the convention, to undertake the management of the service. This convention, when ratified, will not go into effect until July 1, 1915, and if the organization of the international service were deferred until after that date it would result in the ice seasons of the years 1914 and 1915 not being covered by this patrol. Because of this fact, the Government of Great Britain, under date of January 31, 1914, inquired, on behalf of the various powers interested, whether the United States would be disposed to commence the new international service as early as possible in the month of February, 1914, and in accordance with this international desire the President directed, on February 7, that the Revenue-Cutter Service at once undertake the task.

The *Seneca* sailed from New York February 19, 1914, to investigate the ice conditions preliminary to the commencement of the regular patrol. This investigation was continued until April 1, 1914, when, the icebergs and fields having advanced to the southward so as to threaten to encroach upon the steamship lanes, the ice patrol proper was begun, and the *Miami* left New York April 4 to join the *Seneca*

in this duty. Using the port of Halifax, Nova Scotia, as a base for coal and supplies, these two vessels made alternate cruises of 15 days in the ice danger zone and maintained a continuous patrol during the months of April, May, and June, 1914. At the end of this period reports from the vessels indicated that the icebergs and ice floes had ceased to be a menace to the trans-Atlantic steamer lanes, and the patrol was discontinued as no longer necessary this season.

Protection of the fur seal.

An efficient patrol of the Bering Sea and North Pacific Ocean was maintained as usual in the enforcement of the convention entered into by the United States, Great Britain, Russia, and Japan for the preservation of the fur seal and sea otter. The patrol for the present season began in May, 1914, and is still in operation. The cutters employed in 1913 were the *Tahoma*, *Manning*, and *Unalga*. The same vessels have been employed during the months of May and June of the present year 1914. In addition to the patrolling of the vessels, three temporary shore stations have been established at Attu, Kiska, and Korovin Bay in the Aleutian Chain. Each of these stations was in charge of a warrant officer of the Revenue-Cutter Service, who was charged with the duty of keeping close watch on the various bays and harbors wherein pelagic sealing vessels have in the past entered and obtained fresh water. Throughout the entire season no pelagic sealing vessels were observed.

Enforcement of navigation, anchorage, and other laws.

Twenty-eight thousand seven hundred and eighty-seven vessels of all descriptions were boarded and examined during the past year in the enforcement of customs, navigation, and motor-boat laws. This represents an increase of 3,708 over the number of vessels examined during the preceding fiscal year. Greater activity has been required owing to the constantly increasing number of motor boats which come within the requirements of the law. Of the total number of vessels boarded, 968 were reported for violations, as against 850 during the preceding year. Fines to the amount of $204,310 were incurred by these vessels for violations of the various laws, as compared with $180,470 during the preceding year. This does not mean that this total sum was collected from the offenders, as the Department of Commerce has the ultimate decision as to the collection of the full amount of the penalties, and in many cases, owing to mitigating circumstances, these fines are reduced. It may be noted in this connection that the owners of vessels, as a general rule, are anxious to comply with the laws, and most cases of violations have been due either to ignorance of the requirements of the law or to carelessness on the part of employees.

The anchorage laws governing the harbors of New York and Chicago and the Kennebec River have been rigidly enforced, as usual. The *Manhattan* and *Guide* performed this duty in New York Harbor, and the launch *Patrol* was on similar duty in Chicago Harbor. The anchorages in the Kennebec River were supervised at such times as the cutters *Androscoggin* and *Woodbury* were in that vicinity. In view of the great satisfaction which the enforcement of these anchor-

age laws gives to shipping interests of all kinds, attention is again invited to the recommendations made heretofore that these laws be extended to all the large seaports of the country. Legislation looking toward this object is now pending before Congress, and it is earnestly hoped that the same be passed. The pending legislation places the responsibility of enforcing the anchorage laws upon the Revenue-Cutter Service and the United States Corps of Engineers, acting in cooperation, as these services have now the personnel and equipment for the preparation and enforcement of such regulations as are necessary.

The revenue cutter *Mackinac* and the two launches detailed to work with her continued the highly important duty of regulating the movements of vessels through the St. Marys River, Mich., during the past fiscal year. The period of navigation through this important thoroughfare lasted practically from April 19, 1913, until the close of navigation on December 15. During that time a total of 19,610 vessels passed through the waterways. These vessels aggregated 79,718,344 net tons, or an increase of over 7,000,000 tons more than the traffic passing through during the previous year. The enormous volume of the marine traffic handled in this manner in a period of less than 8 months is best illustrated by comparing it with the traffic through the Suez Canal for a period of 12 months, the latter totaling only 20,275,120 net tons. During the entire season there were but 44 cases of irregularity or violations of the St. Marys River rules, as opposed to 79 cases of similar irregularities during the season of 1912. In 6 of these cases reports were made, and in the remaining 38 cases written warnings were issued to the masters. There seems to be a general disposition on the part of masters and vessel owners to regard closely the rules and to cooperate in carrying them out. In the past three years, owing to the rigidity of the rules and the cooperation of all concerned, there has not been a serious blockade of any kind. Nevertheless, it is impossible to tell at what moment a blockade may occur, and it is therefore necessary for the officer in charge to keep in constant touch with the situation and to permit no relaxation in the enforcement of the rules.

At the request of the Secretary of Commerce, vessels or officers were detailed in 50 instances to enforce the regulations for the safety of life during regattas or marine parades.

Life-Saving Service.

During the past year the usual number of 10 officers has been detailed to the Life-Saving Service as inspectors. The chief inspector is a senior captain of the Revenue-Cutter Service with headquarters at the Treasury Department. He has general supervision over this work and has nine assistants who are assigned to the various districts of the Life-Saving Service. As usual, a rigid inspection of all stations has been made and reports of the same have been transmitted to the General Superintendent of the Life-Saving Service. In addition, these assistant inspectors have acted as drillmasters at the various life-saving stations in their respective districts, and as high a degree of efficiency in drill has been maintained as the depleted crews of many of the stations would permit.

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Many recommendations have already been made to Congress regarding the advisability of consolidating the Revenue-Cutter Service and the Life-Saving Service and merging them into a new organization to be known as the "Coast Guard." There is a consensus of opinion among all parties interested that this will add greatly to the efficiency of these humanitarian branches of the Government. A bill to bring about this desired legislation has passed the Senate and has been reported favorably by the House Committee on Interstate and Foreign Commerce, and it now awaits action by the House of Representatives. It is earnestly hoped that during this current fiscal year a consummation of this matter along the lines indicated in the bill will be brought about. There is no doubt but that greatly increased efficiency will result.

Special cruises.

At the request of the State Department in December, 1913, the *Algonquin* received on board a party of officials at San Juan, P. R., and transported them to various places in Santo Domingo, where they had been detailed to assist the American minister in acting as observers to the elections which were to be held in that Republic. In performing this special cruise the *Algonquin* steamed a distance of 1,738 miles.

At the request of the War Department the *Algonquin* on June 24, 1914, again made a special cruise to Santo Domingo to bring back destitute Porto Ricans from Puerta Plata. On the morning of the 26th an armed detail was sent ashore from the cutter to bring the refugees and their baggage on board. During the embarkation they were under a constant fire from the Borda camp, which was engaged in a spirited exchange of shots with the Legalistas, but all of the refugees, which included 9 Americans and 33 Porto Ricans, were taken on board in safety and conveyed to San Juan. Owing to the hostilities taking place in Santo Domingo, the inhabitants were on the verge of famine.

Early in November, 1913, the governor of Alaska, through the Secretary of the Interior, reported that a measles epidemic was raging among the natives on Kodiak and Afognak Islands; that there were 110 cases at Afognak Village, and that 13 deaths had already resulted at Karluk and Kagnak. As the Territory had no funds, and many persons were destitute, he urged that a revenue cutter be dispatched to the vicinity, carrying physicians and medical supplies. In accordance with this request the *Tahoma* was at once ordered to make this trip to Alaskan waters. She carried with her an officer of the Public Health Service, medical supplies, and a quantity of other supplies donated by the Red Cross Society. In spite of the bad weather and gales encountered, the trip was successfully made and much relief rendered these stricken people.

The *Bear* made her annual cruise to the Bering Sea and Arctic Ocean, leaving Seattle on May 12, 1913, immediately after receiving a large consignment of the United States mails for delivery at Nome and St. Michaels. Owing to fortuitous conditions of weather and ice it was unnecessary to convoy the usual fleet of merchant vessels which make their first trips to Nome at this season of the year, and the *Bear* arrived at that place at 3 a. m. on June 2, an unusually early date for reaching that port. Proceeding to St. Michaels the

following day heavy ice was encountered in St. Michaels Bay, which delayed the cutter's arrival at that port until June 4, when the mail was delivered. From that date until August 4 the *Bear* remained in the vicinity of Nome, making occasional cruises to St. Lawrence Island and the coast of Siberia and to other points in the interests of the Bureau of Education and also for rendering aid to several merchant vessels reported to be in distress. On the cruise to Point Barrow very heavy ice was encountered, and after an extremely difficult passage the destination of the cutter was finally reached, although on several occasions she was so beset by the ice as to make her position perilous. As a matter of fact the *Bear* was the only vessel which went into the Arctic Ocean last season which succeeded in getting out in safety. Early in October a fierce gale wrought great harm to property in Nome, and the *Bear*, then at Unalaska, proceeded at once to the former city to render such assistance as was possible. A large party of destitute natives was taken to their homes on King Island and at Diomede and Prince of Wales. A party of 39 destitutes were also conveyed from Nome to Seattle, as the devastated condition of Nome after the storm made it necessary that these unfortunates be taken elsewhere. The entire northern cruise covered a distance of 13,053 miles.

The Department of Justice, as in former years, requested the detail of a revenue cutter for the purpose of carrying a United States judge and other court officials to remote places along the Alaskan seaboard, which can not be reached by regular means of transportation. The *Thetis* was detached from the Honolulu station and proceeded to Alaskan waters to serve the unique function of constituting a floating United States court during the summer season.

New vessels and repairs.

Considerable relief has been afforded by the passage of a bill providing for the construction of new vessels to be stationed at Mobile, Ala., and Portland, Me., respectively. Anticipating that Congress would listen to the urgent appeals of the department for new vessels, plans and specifications had been prepared in advance by the technical officers detailed at headquarters, and at this writing the contract has been awarded to the lowest bidder and the actual construction of the two vessels authorized has been begun. While it is regretted that Congress did not see fit to authorize the other two cutters, one for the coast of California at a cost of $350,000, and the other for the harbor of New York, at a cost of $110,000, which have been strongly recommended heretofore, it is hoped that these two will be provided for at the next session. The necessity for these two new cutters is, of course, greater now than when originally recommended. The absence of a new vessel from the Pacific coast to replace the *Perry*, lost in the Bering Sea in 1910, makes it impossible to have a first class vessel on the coasts of California and Oregon during the entire summer season, as the necessities of the Bering Sea patrol and other duties in Alaska during those months make it imperative to withdraw all cruising vessels from the Pacific coast to perform these more urgent duties. Maritime interests on that coast have lodged frequent complaints of the absence of these cutters at that time, and it is therefore again urged that Congress make pro-

vision for the construction of this much needed vessel. Time has not improved the old anchorage patrol cutter *Manhattan*, and she is now barely able to perform one-half of the regular duty which a new vessel could reasonably be expected to perform. Supervision of the anchorage of vessels in the great port of New York is a most important duty, and it can not be efficiently performed by this antiquated and unseaworthy craft. My original recommendation for the cost of a new vessel for this duty was $100,000. During the severe weather of the past winter there were a number of appeals from the commercial interests in the vicinity of New York for a vessel to open up channels through the ice, as shipping was much hampered by the frozen channel ways. In order that the new vessel may be able efficiently to perform this important work it is recommended that the appropriation be increased to $110,000, which will insure the construction of a craft fit to cope with the ice in that section of the country.

Repairs to the various vessels of the service have been made during the past fiscal year to the extent permitted by the available appropriation. The *McCulloch* has been reboilered and otherwise extensively repaired at the Mare Island Navy Yard. During the progress of the repairs it was found feasible to install in this vessel tanks to carry about 500 barrels of oil. This is in addition to the coal supply carried in her bunkers, and arrangements are made so that she may be transferred from oil burning to coal burning, or vice versa, in a very short time. By this means her cruising radius has been increased over 1,000 miles, thus adding greatly to her efficiency, and the vessel is able to cover her ordinary cruising district with oil fuel alone.

During the fiscal year the work of reboilering the *Seminole* was begun and, by the adoption of water-tube boilers, it was found possible to increase her otherwise limited coal capacity about 25 per cent. Extensive repairs were also made to the *Mohawk* at the service depot.

It is hoped that during the current fiscal year one other of the first-class vessels can be given similar extensive repairs. In order to keep the fleet in good condition it will be necessary hereafter to make extensive repairs to at least two of the larger vessels every year. The probability of a permanent supply of fuel oil on the Pacific coast at reasonable cost makes it advisable to adopt oil fuel for vessels in these waters as rapidly as the limited means at hand will permit, and attention will be given this important matter at as early a date as practicable.

During the past year, owing to the great improvement in radio apparatus, it has been found necessary to equip five of the larger vessels with the latest type of this now indispensable apparatus. Such sets are more expensive than the original equipment with which these vessels were fitted, but the obsolete radio installations on other cutters will be replaced with modern mechanism as rapidly as the available appropriation will permit.

Service depot in Alaska.

Attention is invited to the recommendation made last year for a permanent depot at Dutch Harbor or Unalaska as a base for the operations of the Revenue-Cutter Service, as well as for other maritime services of the Government, in Alaskan waters. The develop-

ments of this Territory each year make it more and more important that a depot of this kind be established to facilitate the work of various branches of the Federal Government. It was pointed out in my last annual report that such a station in Alaska would effect an annual saving of $18,000 for the Revenue-Cutter Service alone. Since the adoption of oil for fuel in one of the large cruising cutters it has been demonstrated that a larger saving could be made by having oil fuel stored in quantities at a depot such as proposed. As a matter of fact, the providing of facilities of this kind would make it advisable to fit all the vessels of the patrol fleet with oil-burning apparatus, as the impossibility of obtaining fuel of this kind in Alaskan waters has been a leading factor in preventing the installation of oil apparatus on those vessels.

Saving of life and property on interior navigable waters.

The recommendation of last year as to the advisability of asking Congress for authority to construct and maintain three light-draft revenue cutters for service on the Ohio and Mississippi Rivers and their tributaries for the purpose of saving life and property during times of flood is repeated. Owing to fortuitous circumstances those great inland waterways were not subject to the usual devastating floods during the fiscal year just closed, but the records of the past show that these disasters are liable to occur at any time, and there is no question but that three vessels, such as previously recommended, would be of the greatest value in the conservation of life and property in times of stress. Further, there is undoubtedly a larger field of usefulness for these cutters in the proper enforcement of the navigation laws and the inspection and regulation of the vast number of motor boats which has sprung up on these interior waters, as well as for the patrol of the numerous regattas for the protection of the lives of the spectators. Each year the requests for governmental supervision of these events under the existing laws are more and more numerous, and it is impossible to meet the demands upon the service with the limited facilities at hand. Aside from the utility of the proposed new revenue cutters in connection with rescue work in times of flood, there is sufficient routine work in connection with the regulation of traffic and enforcement of the navigation and motor-boat laws to warrant their continued maintenance in these waters.

New cutter for the Panama Canal and vicinity.

The opening of the Panama Canal and the expected confluence of a considerable proportion of the marine traffic of the world to this important thoroughfare makes it, in my opinion, highly essential that a first-class revenue cutter should be constructed for duty at that point. There will undoubtedly be many instances where assistance to vessels in distress, such as is now rendered by the revenue cutters along our coasts, will be necessary, and many of the vessels using the canal will be under the American flag. In addition, all vessels should be boarded and examined from time to time in order to see that they are properly documented and are complying with the navigation laws. A first-class revenue cutter capable of efficiently performing these

duties will cost $350,000, and it is recommended that Congress be asked to make the necessary authorization and appropriation for such cutter.

Appointment of cadets.

The provisions of the last sundry civil bill, which increased the number of cadets from 7 to 14, carried out the program which Congress had virtually agreed upon and keeps the recruiting of the commissioned personnel of the service on a satisfactory basis. It is recommended that this program be completed during the current year, and the appointment of 21 cadets be authorized for the fiscal year 1916, and that thereafter the total number of cadets allowed be not increased until such time as the demands of the service may require a greater number. During the past fiscal year the name of the *School of Instruction* has been changed to the *Revenue-Cutter Academy*. This appellation is much more in consonance with the standing of this institution for the education of the cadets. The term of service of engineer cadets has been increased from six months to one year, as it is found that the latter period is none too long for the proper preparation of this class of officers for the efficient performance of their duties on shipboard.

Line officers for engineering duty.

Owing to the large number of vacancies in the Engineer Corps, it has been found necessary from time to time to detail certain third lieutenants of the line to engineering duty. In addition to the instruction in engineering which they received at the academy while cadets, each third lieutenant detailed for active engineering duty has been required to serve a probationary term under instruction from the regular engineer officers attached to the vessel until such time as he becomes sufficiently proficient to assume the responsibility of a regular engineering watch. Line officers thus detailed have, in nearly every instance, entered upon these additional duties with commendable zeal and shown such ability as to win the unstinted approbation of the engineer officers with whom they have served. The success of this plan has added much to the efficiency of the commissioned personnel because of the interchangeability of duties it permits, and if the degree of success continues to obtain along these lines it may be found advisable to require all junior officers to qualify for duties both on deck and in the engine room.

REPORT

OF

THE SECRETARY OF WAR.

War Department,
Washington, D. C., November 15, 1914.

To the President.

Sir: I have the honor to submit the following report of the operations of this Department during the past year:

The reports of the Chief of Staff and the Chief of Coast Artillery; the reports of the heads of bureaus of the War Department; the reports of the Superintendent of the Military Academy, of the Governor of Porto Rico, of the Governor of the Panama Canal, of the commissioners of the four military parks, all of which accompany this report, give in abundant detail all of the transactions and recommendations in their respective spheres. I have reached the conclusion that it is useless repetition to follow the practice of repeating, in my report, the details so much more fully dealt with in the respective reports above referred to.

In these reports there are certain things of great interest and importance which should be specially noted; among them—

That the health of the Army has been exceptionally good. The last year has afforded the lowest recorded noneffective rate in the history of the Army; a reduction of nearly 20 per cent in nonefficiency from sickness and injury has resulted. There were only four cases of typhoid fever in the Army, including the Philippine Scouts. Two of these were cases of recruits of four and five days' service, respectively, who had not been immunized. Venereal diseases have decreased about 25 per cent. The rate for alcoholism is the lowest since 1873. The health of troops in camps over a long period of time has been extraordinarily good on account of the high efficiency of camp sanitation.

That the system of disciplinary companies which has been established bids fair to be very successful.

That a large part of the Army has been occupied in actual field service at Galveston, Vera Cruz, all along the Mexican border, and in Colorado and Arkansas. The character of this duty in each instance was similar and was of an exceedingly difficult kind, in some respects

even more difficult than actual warfare. It called for patience, self-control, discretion, and good judgment under very trying conditions, and required implicit obedience to orders—a prime military necessity. The fact that this duty was everywhere done in an exceptional manner and without untoward incident is gratifying in the highest degree and deserves recognition as difficult service extremely well rendered. Of a somewhat similar character was the work carried on in Europe by the officers sent over to aid the Americans marooned there because of the European war. Their service was done in a manner to reflect credit on themselves and the Army, and it is reckoned as of similar high character to that just mentioned.

The student camps were very successful and bid fair to be more so and undoubtedly can and should be developed into a most valuable assistance.

At the session of Congress just closed the bill to provide for raising volunteers was passed. It is, of course, possible and probable that in minor details some slight corrections may have to be made therein, but on the whole it is probably the most important piece of military legislation which has been dealt with by Congress for many years past.

I am pleased to note that there has been a decrease in the number and percentage of desertions.

With respect to matters which do not relate to the military establishment as such, certain developments of importance occurred during the past year.

The matter of the proper handling of dams built in navigable streams by private capital, and the regulation of water power developed thereat and also at dams built by the Government itself, received careful and continued consideration at my hands, and, in cooperation with committees of Congress, a bill to deal with this subject was prepared. The House of Representatives passed a bill, and it is understood that the Senate, at the coming session, intends to take the same up with the determination of completing the legislation. The matter is one of supreme importance and should be speedily settled.

The matter of providing a more autonomous and better balanced government in Porto Rico received like consideration, and a bill for that purpose is being dealt with by the committees of each House.

A bill to extend the scope of self-government in the Philippine Islands was likewise given much consideration by the department, and the House has passed a measure, and it is now before the Senate, and there is every indication that it purposes having it considered by the proper committee with a view to passage at the coming session.

A complete organization of the government of the Panama Canal was prepared and put into effect on the 1st day of April, 1914.

For the purpose of enabling those who are interested to ascertain the various activities of the Department, I have annexed a table, Appendix A, by reference to which it can be immediately learned in what reports a detailed discussion of various subjects can be found.

At the end of this report will be found Appendix B, containing a statement of the expenditures, appropriations, and estimates.

This, then, leaves for consideration the imminent questions of military policy; the considerations which, in my view, should be taken into account in determining the same; and the suggestions which occur to me to be pertinent in the circumstances.

It would be premature to attempt now to draw the ultimate lessons from the war in Europe. It is an imperative duty, however, to heed so much of what it brings home to us as is incontrovertible and not to be changed by any event, leaving for later and more detailed and comprehensive consideration what its later developments and final conclusions may indicate.

For orderly treatment certain preliminary considerations may be usefully adverted to. It is, of course, not necessary to dwell on the blessings of peace and the horrors of war. Every one desires peace, just as every one desires health, contentment, affection, sufficient means for comfortable existence, and other similarly beneficent things. But peace and the other states of being just mentioned are not always or even often solely within one's own control. Those who are thoughtful and have courage face the facts of life, take lessons from experience, and strive by wise conduct to attain the desirable things, and by prevision and precaution to protect and defend them when obtained. It may truthfully be said that eternal vigilance is the price which must be paid in order to obtain the desirable things of life and to defend them.

In collective affairs the interests of the group are confided to the Government, and it thereupon is charged with the duty to preserve and defend these things. The Government must exercise for the Nation the precautionary, defensive, and preservative measures necessary to that end. All governments must therefore have force—physical force—i. e., military force, for these purposes. The question for each nation when this matter is under consideration is, How much force should it have and of what should that force consist?

In the early history of our Nation there was a natural, almost inevitable, abhorrence of military force, because it connoted military despotism. Most, if not all, of the early settlers in this country came from nations where a few powerful persons tyrannically imposed their will upon the people by means of military power. The consequence was that the oppressed who fled to this country necessarily connected military force with despotism and had a dread thereof. Of course all this has long since passed into history. No reasonable person in this

country to-day has the slightest shadow of fear of military despotism, nor of any interference whatever by military force in the conduct of civil affairs. The military and the civil are just as completely and permanently separated in this country as the church and the state are; the subjection of the military to the civil is settled and unchangeable. The only reason for adverting to the obsolete condition is to anticipate the action of those who will cite from the works of the founders of the Republic excerpts showing a dread of military ascendancy in our Government. Undoubtedly at the time such sentiments were expressed there was a very real dread. At the present time such expressions are entirely inapplicable and do not furnish even a presentable pretext for opposing proper military preparation.

It also seems proper, in passing, to refer to the frame of mind of those who use the word "militarism" as the embodiment of the doctrine of brute force and loosely apply it to any organized preparation of military force, and therefore deprecate any adequate military preparation because it is a step in the direction of the contemned "militarism." It is perfectly apparent to anyone who approaches the matter with an unprejudiced mind that what constitutes undesirable militarism as distinguished from a necessary, proper, and adequate preparation of the military resources of the nation depends upon the position in which each nation finds itself, and varies with every nation and with different conditions in each nation at different times. Every nation must have adequate force to protect itself from domestic insurrections, to enforce its laws, and to repel invasions; that is, every nation that has similar characteristics to those of a self-respecting man. (The Constitution obliges the United States to protect each State against invasion.) If it prepares and maintains more military force than is necessary for the purposes just named, then it is subject to the conviction, in the public opinion of the world, of having embraced "militarism," unless it intends aggression for a cause which the public opinion of the world conceives to be a righteous one. To the extent, however, that it confines its military preparedness to the purposes first mentioned, there is neither warrant nor justification in characterizing such action as "militarism." Those who would thus characterize it do so because they have reached the conclusion that a nation to-day can properly dispense with a prepared military force, and therefore they apply the word to any preparation or organization of the military resources of the nation. Not being able to conceive how a reasonable, prudent, patriotic man can reach such a conclusion, I can not conceive any arguments or statements that would alter such a state of mind. It disregards all known facts, flies in the face of all experience, and must rest upon faith in that which has not yet been made manifest.

Equally useless, in my view, is the discussion frequently indulged in as to whether military preparation tends or does not tend to avoid war. I term such discussion "useless" because, so far as we are concerned, whatever conclusion might be reached thereon would not affect our duty. Since it is not in mind to suggest any military preparation of the Nation's resources beyond that absolutely essential under existing conditions, the question of whether more extensive preparation for the purpose of avoiding war would have that effect or not is futile. Unless this Nation has reached the conclusion that it has no need for the preparation of its military resources for the purposes I have above enumerated, then we must earnestly address ourselves to the question of such proper preparation. I have reached no such conclusion, and in fact am of the firm conviction that no reasonable, prudent man who faces facts could reach such a conclusion. Unless and until the Congress of the United States, representing the people of the country, places on record the conclusion of the people to the contrary, my duty is, I think, entirely clear; and that duty is to set forth the facts and the necessities growing out of the facts, and suggestions as to the ways and means of fulfilling such necessities.

Whatever the future may hold in the way of agreements between nations, followed by actual disarmament thereof, of international courts of arbitration, and other greatly-to-be-desired measures to lessen or prevent conflict between nation and nation, we all know that at present these conditions are not existing. We can and will eagerly adapt ourselves to each beneficent development along these lines; but to merely enfeeble ourselves in the meantime would, in my view, be unthinkable folly. By neglecting and refusing to provide ourselves with the necessary means of self-protection and self-defense we could not hasten or in any way favorably influence the ultimate results we desire in these respects.

What, then, does this Nation need in the way of military preparedness? Of course, I am not attempting to lay down a counsel of perfection—that is, an extensive scheme which is ideal in its completeness. Such a scheme might well be considered and studied and adopted after long study. But to await the result of such a course would be to continue the undesirable situation in which we have so long been. In my view, it is much better to do those things which lie nearest at hand and can be done than to remain as we are, without moving along proper lines until a more comprehensive and perfect scheme can be agreed upon. Nothing done along the lines I am about to suggest will interfere with the carrying out of a more comprehensive and maturely developed plan, but, on the contrary, will fit into it exactly.

Let us approach the question by a brief consideration of certain facts necessary to be considered in reaching a proper conclusion:

In continental United States we have a territory consisting of 3,026,789 square miles, with a population of 98,781,324. In Alaska we have 590,884 square miles, with a population of 64,356. Our other territorial responsibilities which must be considered are: The Panama Canal, where, although the population is small, we have an investment of $400,000,000, and the destruction of which waterway would be an international calamity; Hawaii, with 6,449 square miles and a population of 191,909; Porto Rico, with 3,606 square miles and a population of 1,118,012; the Philippine Islands, with 127,800 square miles and a population of 7,635,426, together with certain other islands not necessary to be considered in this connection.

The Regular Army of the United States on June 30, 1914, consisted of 4,701 officers and *87,781 men. Of these, 758 officers and 17,901 men belong to the Coast Artillery, and are therefore practically stationary in coast defenses; 1,008 officers and 18,434 men belong to the staff, technical and noncombatant branches of the Army, including recruits and men engaged in recruiting. This leaves the Army which can be moved from place to place—that is, the mobile Army, so-called—composed of 2,935 officers and 51,446 men.

At that time the various characters of troops were disposed of approximately as follows:

In the Philippines, 3½ regiments Infantry, 2 regiments Cavalry, 1 regiment Field Artillery, 2 companies Engineers, 11 companies Coast Artillery (aggregate strength, 9,572). In the Hawaiian Islands, 3 regiments Infantry, 1 regiment Cavalry, 1 regiment Field Artillery, 1 company Engineers, 8 companies Coast Artillery (aggregate strength, 8,195). In the Canal Zone, 1 regiment Infantry, 3 companies Coast Artillery (aggregate strength, 2,179). In China, 2 battalions Infantry (aggregate strength, 849). In Alaska, 1 regiment Infantry (aggregate strength, 862). In Vera Cruz, 4 regiments Infantry, 2 troops Cavalry, 1 battalion Field Artillery, 1 company Engineers (aggregate strength, 4,090). In Porto Rico, a 2-battalion regiment Infantry (strength, 707). In United States, 17 regiments Infantry, 11½ regiments Cavalry, 3½ regiments Field Artillery, 2 battalions Engineers, 148 companies Coast Artillery (aggregate strength, 64,579). Troops en route and officers at other foreign stations, 1,449.

Practically all these organizations in the United States are on what is known as a peace footing, which means that an Infantry company, which upon a war footing should have 150 men, now has 65 men; a Cavalry troop, which upon a war footing should have 100 men, now has 71 men; an Artillery battery, which upon a war footing

* Includes Quartermaster Corps, 3,809 and Hospital Corps, 4,055.

should have 190 men, now has 133 men. The Coast Artillery companies are always kept on a war footing of 104 men each.

In addition to work with the troops themselves, the officers of the Army are called upon to do a great variety of work known as detached service. For instance, the Engineers have 66 officers detached for river and harbor work, and the other branches of the Army have 578 officers of the line detached for service in training the Organized Militia of the several States, on duty at schools, recruiting, etc.

As a result, scarcely any unit in the Army ever has its proper complement of officers, and the need for an increase of officers is urgent and imperative. In continental United States we had in the mobile Army on June 30, 1914, 1,495 officers and 29,405 men.

We have a reserve—that is, men who have been trained in the Army and under the terms of their enlistment are subject to be called back to the colors in time of war—consisting of 16 men.

The Organized Militia of the various States totals 8,323 officers and 119,087 men. The enlisted men thereof are required, in order to obtain the financial aid which the Congress authorizes the Secretary of War to extend under certain conditions, to attend 24 drills a year and 5 days annually in the field. If all of the National Guard could be summoned in the event of war and should all respond (an inconceivable result), and if they were all found fairly efficient in the first line—that is, the troops who would be expected to immediately take the field—we could summon a force in this country of Regulars and National Guard amounting to 9,818 officers and 148,492 men.

And this is absolutely all. The only other recourse would then be volunteers, and to equip, organize, train, and make them ready would take, at the smallest possible estimate, six months.

Anyone who takes the slightest trouble to investigate will find that in modern warfare a prepared enemy would progress so far on the way to success in six months, if his antagonist had to wait six months to meet him, that such unprepared antagonist might as well concede defeat without contest.

With respect to reserve matériel, one or two obvious things had perhaps better be stated. This matériel, of course, can not be quickly improvised. It requires long periods of time to produce; it is the absolute essential of modern warfare, and must be kept on hand if emergencies are to be prepared for. We have on hand in reserve sufficient small arms, small-arm ammunition and equipment, roughly figuring, for the 500,000 men that would have to be called into the field in any large emergency. We have nothing like sufficient artillery and artillery ammunition. This has been urgently presented in all of the recent reports of the head of this Department and the Chiefs of Staff, and Congress has from time to time recently increased the appro-

priations for these purposes. There is universal agreement among all who know, that artillery is an essential feature of modern warfare, and that a proper proportion thereof to any army is indispensable if success is to be even hoped for. It is imperative that the manufacture of artillery and artillery ammunition should progress as rapidly as is possible until a proper reserve thereof has been obtained.

In present-day strategy and tactics the Aviation Corps has bid fair to become the eyes of the army, and a general commanding an army without an adequate flying corps against an army of equal strength in other respects, but with an adequate flying corps, would be in the position of a blind man contending against a man with sight. The present Congress made a good start toward putting aviation on a substantial basis. This work should be followed up and consistently pressed.

The universal utilization of motor transportation in the present war has vastly increased the mobility of armies. It is necessary that we keep abreast of the times in utilizing motor vehicles for Army transportation. It might be well worth while to devise ways and means of organizing into a volunteer motor transportation reserve the motor vehicles adaptable to military use now in the hands of private citizens.

We now come to the question of what, then, should we presently do, in view of the existing conditions and considerations. That we are below any proper standard or minimum in this respect is conceded. I have adverted briefly, in what I have heretofore said, to our situation in this regard concerning matériel. I have not, of course, burdened this report with the details. The reports of the Chiefs of Staff and of Ordnance go into this matter with particularity.

We will therefore next address ourselves to personnel.

The first question is, whether the proper remedy is to so largely increase the standing Army as to constantly have under arms a military force of sufficient size to meet our contemplated needs. What shall be concluded in this respect after the mature and comprehensive study which I have suggested should be made of the subject must, of course, be left for the present. Following the lines that I have laid down for myself, which are to deal now only with those things which clearly should be done now, I do not advocate any such considerable increase as would probably result from the comprehensive study suggested.

For the purpose of information, the following table is presented, showing the area, population, and military resources on a peace and war footing of other nations in comparison with ours:

Land forces of various countries.

	Area (square miles).	Population.	Peace strength.	Total trained war strength.
Germany	208,830	64,903,423	620,000	4,000,000
France	207,054	38,961,945	560,000	3,000,000
Russia	8,647,657	160,095,200	1,200,000	4,500,000
Great Britain and colonies	11,467,294	396,294,752	254,500	[1] 800,000
Italy	110,550	32,475,253	275,000	1,200,000
Austria-Hungary	261,035	49,418,596	360,000	2,000,000
Japan	147,655	53,875,390	230,000	1,200,000
Turkey	1,186,874	35,764,876	420,000	1,200,000
Spain	194,783	19,503,008	115,000	300,000
Switzerland	15,976	3,741,971	140,000	275,000
Sweden	172,876	5,476,441	75,000	400,000
Belgium	11,373	7,074,910	42,000	180,000
United States (including Philippine Scouts)	3,026,789	98,781,324	97,760	[2] 225,170

[1] Excluding native army, 160,000. [2] Including Organized Militia and Philippine Scouts.

Whatever else may properly be drawn from the facts as disclosed, it can not be disputed that it is imperative that we have in this country a very much larger percentage of men who have had proper military training and who are in a position to instantly respond to the call of the Nation. Of the troops that we now have, the numbers and organizations of which are shown above, it will be necessary in the very near future to take from the United States and put in the Philippine Islands 13 companies of Coast Artillery, 1,950 men; in the Hawaiian Islands, 3 regiments of Infantry, 1 battalion of Field Artillery, and 2 companies of Coast Artillery, 6,380 men; and in the Panama Canal Zone, 1 regiment of Infantry, 1 squadron of Cavalry, 1 battalion of Field Artillery, 1 company of Engineers, and 12 companies of Coast Artillery, 4,774 men. (I may say in this connection that I do not consider the Panama Canal Zone garrison sufficient, even when these contemplated additions are made.) This will then leave in the United States proper 12,610 Coast Artillery troops and 24,602 of the mobile arm, the latter being then not much more than twice the size of the police force of the city of New York.

My recommendation of what we should immediately do is to fill up the existing organizations which compose the aggregate mobile Army force just mentioned to their full strength. This would require 25,000 men. In addition to the enlisted men just mentioned, we should be authorized to obtain 1,000 more officers. The legislation to accomplish these purposes would be of the very simplest character, being merely authorizations to the Department to do these things.

On June 30, 1914, 20.43 per cent of the line officers of the Army were away from their commands. This results in depleting the proper quota of instructors in the Army. The instruction of the Organized Militia suffers woefully from the lack of officers available for servic with the militia. Efficient officers, above all things, can not be improvised. Depending, as we are, upon a small regular force, and

contemplating a large expansion in time of war, it is essential that we at least should not permit the number of officers to fall below that number which is absolutely requisite for the proper performance of current military duties.

An increase of the enlisted personnel of the Army by 25,000 men would accomplish threefold results. It would, as before mentioned, bring up to full strength the existing units of the mobile Army in continental United States and thus supply a more adequate force. Second, it would afford training for the officers in the command of such units as they must command in time of war and would prevent, as far as the Regular Army is concerned, the crowding of the ranks with raw levies which always disorganize and render inefficient the organizations into which they come. Third, it would be a wise investment from the standpoint of economy, in that no material increase of overhead charges would be necessary, and the addition of these men could be effected at a per capita cost to the Government of about one-third the per capita cost under existing conditions. Since the existing physical plant and the administrative organization would not have to be in any way increased to take care of this increased force, the only additional expense would be the clothing, feeding, and paying thereof.

By the time these 25,000 men could be procured the mobile forces in the United States, as hereinbefore pointed out, would number 24,602; so that after the addition the mobile army in continental United States would consist of 49,602 men.

With the Army thus increased, we would then be able to undertake the next necessity, which is absolutely imperative, and that is, the preparation of a reserve. The present legislation with respect to a reserve has proven utterly useless for the purpose, it having produced in 24 months only 16 men, and there is little or no hope that it will ever properly accomplish its purpose. The reasons why it will not do so it is not profitable to discuss.

Again, without attempting to wait until perfection has been reached it seems to me that it is only the part of wisdom to do that which we know will produce a beneficial result, and one that approximates the best. I am firmly convinced that if we can use the standing Army as a school through which to pass men who come into it, with the knowledge that if they are proficient they can be discharged at any time after a year or 18 months, we will begin at once to build up the necessary reserve, and will, for the first time in the military history of this country, have something approximating a balanced organization. There is unfortunately opposition to this policy. I say "unfortunately" because it is always the part of wisdom, it seems to me, to select the best that is possible, out of what is obtainable, rather than to reject that obtainable best because it is not perfection. Some of the opposition is on economical grounds, and,

in my view, should not be determinative if the other considerations that I have noted are true. Other of the opposition is based upon the idea that one year or 18 months is not sufficient to train a soldier. As to this, it is a curious exhibition of mental operations to realize that those who make this argument and who have to acknowledge that without reserves we must depend upon volunteers, are constantly asserting that we can safely rely upon volunteers because they can be thoroughly trained in six months. It is furthermore true that by intensive military training, any young man of good health and average mentality can be made a serviceable soldier in 12 months, and, in fact, has been so made. This has been tried abroad, and I have caused it to be tried under my own administration and inspection. Even if there were doubt about it, it would not cause a different conclusion to be reached by a reasonable man, because we certainly would be better off with a reserve of men who had had one year's training than we are without any reserve at all and having to depend, as we do, upon men who have never had any training whatever. I caused, about a year ago, recruits, as they came in, and without selection, to be organized into a battery of Artillery, a troop of Cavalry, and a company of Infantry; and from my own observation and from the reports of experts, each of these units, well within a year, was found proficient to a very high degree.

I am therefore firmly convinced that we should have immediate egislation dealing with the matter of enlistment and reserve. I am not so much concerned with the length of the enlistment, provided the Secretary of War is given power to discharge into the reserve, at the end of 12 months, those who have shown themselves proficient up to a required standard.

A practically similar provision should exist in every State which maintains an Organized Militia. It is just as essential that the Organized Militia should have a proper reserve to fill up its ranks as it is that the Regular Army should. Of course I have been viewing this in the light of its military necessity. But there is a concomitant advantage which should not be overlooked. Inquiry among those who have employed men who have been discharged with good records from the Army shows that they esteem them as among their very best employees; and there is no doubt that any community would be economically benefited by the presence in it of strong, vigorous young men who have learned, in the only school which really teaches—that is, experience—the qualities of self-control, obedience to discipline, and determination to carry out the task which has been set for one.

I am convinced with equal firmness that we should adopt some one or more of the methods which have been suggested for the training of more civilians to become officers in case of necessity. The

potentiality of the student military camps and of the schools and colleges at which military training is obtainable suggests a fruitful source of accomplishing this purpose.

I realize that one of the matters which will be much debated in connection with this whole subject will be the matter of expense. I do not overlook this, but shall not attempt extensively to go into it here. I do think, however, that those who are charged with responsibility on behalf of the public should realize the greatness of that responsibility; should realize the unanswerable indictment that will lie against them if they shrink from incurring expense for what is vital to the Nation. When one has reached the conclusion, as I have, that a minimum of military preparedness is essential, the question of its cost is secondary and can not be permitted to be the determining factor. No citizen will or can properly object to the expenditure of money for vital national purposes.

Comparisons between costs of military establishments here and abroad will not result, as they usually do, in assuming an unwarranted expenditure for those purposes here, if the factors necessary to be considered are kept in mind. Briefly, these factors are, the vast distances in this country; the smallness of the number of our troops, which makes it necessary to move them from place to place when troops are required; the upkeep of numerous posts in various States; and the absolute demand of the American citizen, whether in private or public life, that he should be fed, clothed, and compensated in a manner unexampled in any other country in the world. Money appropriated for military purposes is not diverted therefrom, is not wasted in the sense that it is not expended for purposes for which it is appropriated, and a dollar's worth of value is obtained for a dollar's worth of expenditure. The size of the appropriation is governed by the considerations above mentioned; and so long as the American citizen insists upon living up to a certain standard himself and concedes that his public servants should have the right to live up to that standard, there should be, and I am convinced will be, no grumbling at the necessary expense involved.

It is a pleasure to be able to turn from a consideration of what we need to a realization of what we already have. While our existing organization is of the exceedingly small numbers already mentioned, it is unquestionably in as excellent condition as any similar number of men in any other military establishment in the world. Were it not for a desire to avoid invidious comparisons I should say that, man for man, it is better than any similar existing military establishment in the world. I do not believe that anyone will dispute the statement that the Army has never been in better condition than it is to-day, from the most recently enlisted man up to the highest officers. There is an esprit de corps, an eagerness to constantly strive toward perfection, a willingness to undertake and sat-

isfactorily perform any and every duty, that is most commendable and encouraging. If we are authorized to use this exceedingly valuable nucleus to produce the reserve needed, there never was a time when the experiment had so great a chance of success as now. Both the enlisted personnel and the officers furnish a school of unexampled excellence for just such work.

LINDLEY M. GARRISON,
Secretary of War.

APPENDIX A.

MILITARY AFFAIRS.

THE ARMY:	
Authorized strength	Report of The Adjutant General.
Actual strength and distribution	
Comparison of authorized and actual strength	
Officers—	
Number in service	
Detached	
New	
Retired	
Enlisted men—	
Enlistments	Reports of The Adjutant General and Judge Advocate General.
Desertions	
SEACOAST FORTIFICATIONS	Report of the Chief of Coast Artillery.
MILITARY OPERATIONS	Reports of the Chief of Staff and The Adjutant General.
HEALTH AND SANITATION	Report of the Surgeon General.
MILITARY PRISON ADMINISTRATION	Reports of The Adjutant General and the Judge Advocate General.
UNITED STATES MILITARY ACADEMY	Reports of The Adjutant General and the Superintendent of Military Academy.
THE ORGANIZED MILITIA	Reports of the Chief of Staff and Chief of the Division of Militia Affairs.
STUDENTS' MILITARY INSTRUCTION CAMPS	Reports of the Chief of Staff and The Adjutant General.

CIVIL AFFAIRS.

RIVER AND HARBOR IMPROVEMENTS	Report of the Chief of Engineers.
HYDROELECTRIC DEVELOPMENTS IN NAVIGABLE STREAMS.	
LINCOLN MEMORIAL	Report of officer in charge of public buildings and grounds.
RED CROSS MEMORIAL	
PANAMA CANAL	Report of Governor of Panama Canal.
THE PHILIPPINES	Report of the Chief of the Bureau of Insular Affairs, the Philippine Commission, the Governor of Porto Rico, and the receiver of Santo Domingo customs.
PORTO RICO	
RECEIVERSHIP OF SANTO DOMINGO	
RELIEF OF AMERICANS IN EUROPE	Special report by the Assistant Secretary of War.
REVOLUTIONARY WAR RECORDS	Report of The Adjutant General.

APPENDIX B).

TABLE 1.

EXPENDITURES, APPROPRIATIONS, AND ESTIMATES.

Expenditures for the last fiscal year (1914), the estimates and appropriations for the present fiscal year (1915), and the estimates for the next fiscal year (1916).

General object.	Expenditures for the fiscal year ended June 30, 1914.	Estimates for the fiscal year ending June 30, 1915.	Appropriations for the fiscal year ending June 30, 1915.	Estimates for the fiscal year ending June 30, 1916.
CIVIL ESTABLISHMENT.				
Salaries	$1,735,940.13	$1,774,058.00	$1,761,825.95	$1,761,148.00
Contingent expenses, War Department	45,768.10	48,000.00	47,000.00	47,000.00
Stationery, War Department	17,605.20	25,000.00	25,000.00	25,000.00
Postage to postal-union countries, War Department	175.00	250.00	250.00	250.00
Rent of buildings, War Department	10,483.43	10,420.00	10,420.00	9,700.00
Salaries and contingent expenses under Superintendent Public Buildings and Grounds	86,073.35	86,990.00	86,990.00	87,590.00
Total civil establishment	1,896,045.21	1,944,718.00	1,931,485.95	1,930,688.00
MILITARY ESTABLISHMENT.				
SUPPORT OF THE ARMY.				
Secretary's office:				
Contingencies of the Army	24,638.29	50,000.00	25,000.00	50,000.00
Construction and maintenance of military and post roads, bridges, and trails, Alaska		125,000.00	125,000.00	125,000.00
International rifle competition, Camp Perry, Ohio	17,797.62			
Office of the Chief of Staff:				
Army War College	8,250.00	9,000.00	9,000.00	9,000.00
Contingencies, military information section, General Staff Corps	5,594.79	15,000.00	11,000.00	11,000.00
United States service schools	28,077.11	30,350.00	30,350.00	35,350.00
Relief of Matthew E. Hanna, late captain, Tenth Cavalry, U. S. Army				532.18
Relief of Maj. Powell C. Fauntleroy, Medical Corps, U. S. Army				601.40
Relief of Lieut. Col. George O. Squier, Signal Corps, U. S. Army				41.46
Relief of Lieut. Sherman Miles, Field Artillery, U. S. Army				57.95
The Adjutant General's Department:				
Contingencies, headquarters of military departments, districts, and tactical commands	3,818.48	7,500.00	7,500.00	7,500.00
Chief of Coast Artillery:				
Coast Artillery School, Fort Monroe, Va	27,907.56	28,000.00	28,000.00	28,000.00
Chief Signal Officer:				
Signal service of the Army	501,012.56	250,000.00	250,000.00	300,000.00
Washington-Alaska military cable and telegraph system	22,622.27	496,754.39	50,000.00	
Annunciator buzzer systems at target ranges	2,591.96	3,800.00	3,800.00	
Military aeronautics		300,000.00	250,000.00	400,000.00
Purchase and maintenance of field glasses for Infantry and Cavalry		12,500.00		
Purchase of motor cycles		5,000.00		
Special Infantry telephone equipment		10,016.00		
Signaling equipment for coast-defense posts		12,000.00	12,000.00	
Commercial telephone service at Coast Artillery posts		6,000.00	6,000.00	8,500.00
Repairs to deep sea military cables	21,446.07			

Expenditures for the last fiscal year (1914), the estimates and appropriations for the present fiscal year (1915), and the estimates for the next fiscal year (1916)—Continued.

General object.	Expenditures for the fiscal year ended June 30, 1914.	Estimates for the fiscal year ending June 30, 1915.	Appropriations for the fiscal year ending June 30, 1915.	Estimates for the fiscal year ending June 30, 1916.
MILITARY ESTABLISHMENT—Continued.				
SUPPORT OF THE ARMY—continued.				
Quartermaster Corps:				
Pay, etc., of Army	$48,071,055.35	$49,208,595.60	$48,729,020.02	$50,029,757.57
Extra duty pay to enlisted men as clerks, etc., at Army division and department headquarters	4,880.27			
Subsistence of the Army	9,981,994.65	9,802,141.39	9,802,141.39	10,250,912.50
Regular supplies	7,910,706.18	8,351,264.85	8,155,000.00	8,068,543.94
Equipment of officers' schools at military posts	3,182.56			
Incidental expenses	1,873,312.16	1,850,666.00	1,833,127.00	1,930,064.50
Horses for Cavalry, Artillery, Engineers, etc	794,150.32	565,285.00	565,285.00	495,120.00
Replacing horses for Cavalry, Artillery, Engineers, etc	153.31			
Barracks and quarters	1,931,550.05	2,194,997.00	2,123,997.00	2,106,058.60
Military post exchanges	37,791.94	154,391.00	154,391.00	45,839.85
Transportation of the Army and its supplies	11,824,144.59	10,164,645.00	10,164,645.00	10,955,173.00
Roads, walks, wharves, and drainage	659,188.76	530,646.00	485,000.00	639,910.03
Water and sewers at military posts	1,486,574.29	1,531,258.00	1,100,000.00	1,707,478.00
Barracks and quarters, Philippine Islands	477,519.10	500,000.00	400,000.00	400,000.00
Clothing and camp and garrison equipage	5,735,558.03	6,500,000.00	6,500,000.00	6,900,000.00
Replacing clothing and camp and garrison equipage	255,772.48			
Construction and repair of hospitals	431,415.05	460,000.00	440,000.00	380,000.00
Quarters for hospital stewards	7,494.11	52,791.00	9,700.00	17,000.00
Shooting galleries and ranges	55,977.86	47,160.00	40,000.00	46,574.67
Maintenance, Army War College	10,112.11	10,700.00	10,700.00	10,700.00
Army storehouses, Corregidor Island, P. I	628.50			
Officers' quarters, remount depot, Front Royal, Va	10,510.40			
Claims for damages to and loss of private property	4,397.66	3,631.75	5,069.09	2,928.86
Rent of buildings, Quartermaster Corps	45,446.29	49,587.00	45,987.00	45,987.00
Equipping Army transports with lifeboats and rafts	227,481.45			
Relief of Lieut. H. E. Miner				160.00
Relief of Maj. H. E. Ely				200.00
Relief of Lieut. Sloan Doak				150.00
Relief of Lieut. J. A. Barry				135.00
Relief of Lieut. Waldo C. Potter				375.00
Relief of St. Francis Hospital, Newport News, Va				103.90
Relief of Lieut. J. F. Taulbee				200.00
Relief of Acting Dental Surg. Frank C. Cady				127.61
Medical Department:				
Medical and hospital department	755,421.45	800,000.00	700,000.00	750,000.00
Army Medical Museum and library	13,958.98	15,000.00	15,000.00	15,000.00
Bureau of Insular Affairs:				
Care of insane Filipino soldiers	1,217.70	2,000.00	2,000.00	1,500.00
Care of insane soldiers, Porto Rico regiment of Infantry		500.00	500.00	300.00
Engineer Department:				
Engineer depots	29,639.45	30,000.00	25,000.00	25,000.00
Engineer school, Washington, D. C	28,146.39	25,000.00	25,000.00	25,000.00
Engineer equipment of troops	82,622.42	50,000.00	50,000.00	50,000.00
Civilian assistants to engineer officers	39,931.55	40,000.00	40,000.00	40,000.00
Pontoon shed, Washington Barracks, D. C	15,000.00			
Contingencies, Engineer Department, Philippine Islands	3,537.05	5,000.00	5,000.00	5,000.00
Ordnance Department:				
Ordnance service	301,041.43	300,000.00	300,000.00	325,000.00
Ordnance stores, ammunition	389,056.57	250,000.00	125,000.00	100,000.00
Small-arms target practice	887,003.79	825,000.00	750,000.00	825,000.00
Manufacture of arms	792,160.85	500,000.00	450,000.00	250,000.00
Ordnance stores and supplies	824,025.48	900,000.00	700,000.00	1,103,629.00

Expenditures for the last fiscal year (1914), the estimates and appropriations for the present fiscal year (1915), and the estimates for the next fiscal year (1916)—Continued.

General object.	Expenditures for the fiscal year ended June 30, 1914.	Estimates for the fiscal year ending June 30, 1915.	Appropriations for the fiscal year ending June 30, 1915.	Estimates for the fiscal year ending June 30, 1961.
MILITARY ESTABLISHMENT—Continued.				
SUPPORT OF THE ARMY—continued.				
Ordnance Department—Continued.				
National trophy and medals for rifle contests	$12,733.28	$10,000.00	$10,000.00	$10,000.00
Automatic rifles (machine)	42,232.01	150,000.00		150,000.00
Replacing ordnance and ordnance stores	415,560.05			
Replacing ordnance and ordnance stores destroyed by fire at Benicia Arsenal, Cal.		1,349,083.06		
Total	97,138,042.63	98,590,263.04	94,569,212.50	98,684,511.99
Less repayment of funds heretofore reported as expended	124,076.76			
Total support of the Army	97,013,965.87	98,590,263.04	94,569,212.50	98,684,511.99
MILITARY ACADEMY.				
Pay of Military Academy	703,840.86	791,233.11	768,316.29	812,556.37
Current and ordinary expenses	136,154.17	142,520.00	136,843.00	144,097.00
Miscellaneous items and incidental expenses	58,547.67	56,032.50	53,430.25	55,650.00
Buildings and grounds	224,044.18	66,390.00	39,310.00	730,034.50
Total, Military Academy	1,122,587.18	1,056,175.61	997,899.54	1,742,337.87
MILITIA.				
Encampment and maneuvers, Organized Militia	398,698.63	1,350,000.00	1,250,000.00	250,000.00
Equipment of Coast Artillery armories, Organized Militia	95,285.28	404,250.00	100,000.00	
Field Artillery for Organized Militia	1,458,994.32	2,100,000.00	2,100,000.00	2,000,000.00
Ammunition for Field Artillery, Organized Militia	435,563.72	3,000,000.00	3,000,000.00	2,900,000.00
Exchanging or issuing new pistols, ammunition, etc., Organized Militia	212,730.65			
Care of Horses and materiel for Field Artillery of the Organized Militia				200,000.00
Total militia	2,601,272.60	6,854,250.00	6,450,000.00	5,440,000.00
Total, Military Establishment	100,737,825.65	106,500,688.65	102,017,112.04	105,866,849.86
PUBLIC WORKS.				
MILITARY.				
Fortifications and other works of defense.				
Engineer Department:				
Gun and mortar batteries	57,820.69	425,000.00	250,000.00	685,000.00
Fire control at fortifications	71,748.48	25,000.00		133,974.42
Electrical installations at seacoast fortifications	24,629.76	60,000.00	50,000.00	60,000.00
Sites for fortifications and seacoast defenses	153,404.00		31,000.00	
Searchlights for harbor defenses	31,052.72	200,000.00	100,000.00	150,000.00
Preservation and repair of fortifications	256,606.48	200,000.00		200,000.00
Repair and protection of defenses of Pensacola, Fla.	47,106.97			
Repair and protection of defenses of Mobile, Ala.	16.99			
Repair and restoration of defenses of Key West, Fla.	4,704.75			
Plans for fortifications	5,688.00	5,000.00	5,000.00	10,000.00
Supplies for seacoast defenses	49,317.63	40,000.00	40,000.00	40,000.00
Sea walls and embankments	18,855.73	40,000.00	25,000.00	35,000.00
Sea wall, Fort Travis, Galveston, Tex.	7,150.00			
Preservation and repair of torpedo structures	13,249.16	30,000.00	20,000.00	30,000.00
Casemates, galleries, etc., for submarine mines	15,437.05	35,000.00		31,000.00
Fortifications in insular possessions	1,723,335.73	922,500.00	915,000.00	201,000.00
Landing facilities, Outer Brewster, Boston, Mass.				50,000.00

Expenditures for the last fiscal year (1914), the estimates and appropriations for the present fiscal year (1915), and the estimates for the next fiscal year (1916)—Continued.

General object.	Expenditures for the fiscal year ended June 30, 1914.	Estimates for the fiscal year ending June 30, 1915.	Appropriations for the fiscal year ending June 30, 1915.	Estimates for the fiscal year ending June 30, 1916.
PUBLIC WORKS—Continued.				
MILITARY—continued.				
Fortifications and other works of defense—Con.				
Chief Signal Officer:				
Maintenance, etc., fire-control installations at seacoast defenses	$167,592.34	$180,000.00	$130,000.00	$130,000.00
Maintenance, etc., fire-control installations at seacoast defenses, insular possessions	17,812.01	15,000.00	10,000.00	10,000.00
Relief of Lieut. Col. Frank Greene, retired				138.90
Ordnance Department:				
Armament of fortifications	3,464,055.96	5,806,800.00	3,201,800.00	3,226,100.00
Proving ground, Sandy Hook, N. J.	87,199.34	74,900.00	74,900.00	74,900.00
Submarine mines	118,449.55	293,000.00	168,000.00	259,350.00
Fortifications in insular possessions	75,149.62	540,969.00	535,500.00	446,000.00
Submarine mines in insular possessions		10,000.00	7,500.00	60,000.00
Replacing ordnance and ordnance stores destroyed by fire at Benicia Arsenal, Cal.		141,230.49		
Board of Ordnance and Fortification	24,508.13	25,000.00	15,000.00	15,000.00
Replacing and repairing ordnance property at Gulf forts	3,076.80			
Chief of Coast Artillery:				
Fire control in insular possessions	103,386.87	55,000.00	55,000.00	15,678.00
Coast Artillery war instruction			25,000.00	500.00
Total fortifications and other works of defense	6,541,354.76	9,124,399.49	5,658,700.00	5,863,641.32
ARSENALS.				
Ordnance Department:				
Augusta Arsenal, Augusta, Ga	255.97	8,100.00	8,100.00	
Benicia Arsenal, Benicia, Cal	25,205.21	8,000.00	8,000.00	55,000.00
Frankford Arsenal, Philadelphia, Pa	4,000.00	88,000.00	88,000.00	245,500.00
Rock Island Arsenal, Rock Island, Ill	225,676.76	96,822.00	79,222.00	63,700.00
Rock Island power plant, Rock Island, Ill	11,890.13	12,500.00	12,500.00	12,500.00
Rock Island Bridge, Rock Island, Ill	18,000.00	18,000.00	35,600.00	18,000.00
Springfield Arsenal, Springfield, Mass			9,000.00	41,700.00
Picatinny Arsenal, Dover, N. J	6,000.00			10,000.00
Proving Ground, Sandy Hook, N. J	9,000.00			53,000.00
Watertown Arsenal, Watertown, Mass	40,376.00	40,000.00		40,000.00
Testing machines	14,793.20	15,000.00	15,000.00	15,000.00
Watervliet Arsenal, West Troy, N. Y	14,907.70	20,300.00		121,200.00
New York Arsenal, Governors Island, New York Harbor		20,000.00	20,000.00	
Repairs of arsenals	270,957.61	290,000.00	290,000.00	290,000.00
Total arsenals	641,062.58	616,722.00	565,422.00	965,600.00
MILITARY POSTS AND MISCELLANEOUS.				
Quartermaster Corps:				
Military posts	159,129.77	920,000.00	250,000.00	,000.00
Sewerage system, Fort Monroe, Va	8,467.04	9,691.66	9,424.99	9,424.99
Barracks and quarters, seacoast defenses	20,984.56	41,937.00	25,641.00	79,205.00
Seacoast defenses, Philippine Islands and Hawaii	266,265.88	951,632.44	750,000.00	408,632.44
Army supply depot, Fort Mason, Cal	291.00			
avalry post, Territory of Hawaii	350,000.08	154,000.00		
Electric power plant, Corregidor Island, P. I	52,315.84			
Additional land, Fort Benjamin Harrison, Ind	5.10			
Instruction building, military post, Fort Leavenworth, Kans	14,424.81			
Land, remount depot, Front Royal, Va		151.00	151.00	
Fort Crockett Reservation, Galveston, Tex	3,000.00			
Additional land, Fort Sam Houston, Tex	70,000.00			

Expenditures for the last fiscal year (1914), the estimates and appropriations for the present fiscal year (1915), and the estimates for the next fiscal year (1916)—Continued.

General object.	Expenditures for the fiscal year ended June 30, 1914.	Estimates for the fiscal year ending June 30, 1915.	Appropriations for the fiscal year ending June 30, 1915.	Estimates for the fiscal year ending June 30, 1916.
PUBLIC WORKS—Continued.				
MILITARY POSTS AND MISCELLANEOUS—con.				
Quartermaster Corps—Continued.				
Military prison, Fort Leavenworth, Kans.	54,727.11			
Water system, Schofield Barracks, Hawaii	2,095.67			
Water supply, Presidio of San Francisco, Cal.	662.50			
Chief Signal Officer:				
Site for cable office, Seward, Alaska	400.00			
Engineer Department:				
Fort Riley Military Reservation, Kans.	19.32			
Buildings, Engineer School, Washington, D. C.		50,000.00		50,000.00
Military structures, Philippine Islands		154,000.00	154,000.00	
Enlargement of Governors Island, N. Y.	200.00			8,000.00
Total military posts and miscellaneous	1,002,988.68	2,281,412.10	1,189,216.99	1,096,262.43
Total public works (military)	8,185,406.02	12,022,533.59	7,413,338.99	7,925,503.75
CIVIL.				
Secretary's Office:				
Chickamauga and Chattanooga National Park	$57,455.48	$57,060.00	$57,060.00	$57,060.00
Shiloh National Military Park	27,485.72	27,000.00	25,800.00	25,800.00
Gettysburg National Park	44,712.50	50,000.00	50,000.00	45,000.00
Vicksburg National Military Park	45,130.13	44,000.00	42,200.00	36,000.00
Commemoration of fiftieth anniversary of battle of Gettysburg	8,933.95			
Engineer Department:				
Improvement of Yellowstone National Park	224,060.12	280,000.00	255,000.00	250,000.00
Improvement of Crater Lake National Park	50,759.96	100,000.00	85,000.00	100,000.00
Buildings and grounds in and around Washington	341,094.77	388,990.00	335,990.00	436,490.00
Erection of monuments, etc	120,559.39	28,000.00	248,000.00	
River and harbor improvements under the continuing contract system		7,217,500.00	6,989,000.00	4,344,800.00
Improving rivers and harbors	48,229,746.15	34,266,395.00	20,000,000.00	49,033,018.00
Building, Engineer school for river and harbor instruction, Washington, D.C.	99,500.00			
Bridge across Weymouth Back River, Hingham, Mass.		15,000.00	15,000.00	
Relief of Lieut. Col. Mason M. Patrick, Corps of Engineers, U. S. Army		6.80		6.80
Relief of Washington C. Brady house		22.00		22.00
Relief of certain civilian employees, Engineer Department at Large, U. S. Army		2,360.95		2,360.95
Relief of F. C. Grimm				12.00
Relief of Le Grand C. Creamer				4,911.64
Relief of Robert G. Lynn				154.75
Relief of crew of dredge Captain C. W. Howell				545.90
Relief of C. C. O'Donnell				74.20
Relief of Bouncer Hebron and Cary Caldwell				25.00
Relief of Italian bark Fenice				872.96
Relief of Frank Nambaca				419.00
Total public works (civil)	49,249,438.17	42,476,334.85	28,103,050.00	54,337,573.20
Total public works under War Department	57,434,844.19	54,498,868.44	35,516,388.99	62,263,076.95

Expenditures for the last fiscal year (1914), the estimates and appropriations for the present fiscal year (1915), and the estimates for the next fiscal year (1916)—Continued.

General object.	Expenditures for the fiscal year ended June 30, 1914.	Estimates for the fiscal year ending June 30, 1915.	Appropriations for the fiscal year ending June 30, 1915.	Estimates for the fiscal year ending June 30, 1916.
MISCELLANEOUS.				
NATIONAL CEMETERIES.				
Quartermaster Corps:				
National cemeteries	$113,707.73	$146,000.00	$146,000.00	$120,000.00
Pay of superintendents of national cemeteries	63,012.83	63,120.00	63,120.00	63,120.00
Headstones for graves of soldiers	49,838.93	50,000.00	50,000.00	50,000.00
Repairing roads to national cemeteries	12,845.52	12,000.00	12,000.00	12,000.00
Burial of indigent soldiers	2,220.00	3,000.00	3,000.00	2,000.00
Antietam battlefield, preservation	2,761.61	4,500.00	6,000.00	4,500.00
Disposition of remains of officers, soldiers, and civil employees	52,463.33	57,500.00	57,500.00	57,500.00
Confederate Mound, Oakwood Cemetery, Chicago, Ill	250.00	250.00	250.00	250.00
Burial of indigent patients, Army and Navy Hospital, Hot Springs, Ark	43.00	200.00	200.00	200.00
Monuments or tablets in Cuba and China	757.55	1,000.00	1,000.00	1,000.00
Marking graves of Confederate soldiers who died in northern prisons	1,999.90			
Care, etc., of Confederate burial plats	839.03	1,250.00	1,250.00	1,250.00
Purchase of Dunkard Church property, Antietam Battlefield, Md		1,500.00		
Road from Highway Bridge to Arlington National Cemetery, Va			11,000.00	
Road to National Cemetery, Newbern, N. C		15,100.00		
Confederate stockade Cemetery, Johnston Island, Sandusky Bay, Ohio			250.00	250.00
Total	300,739.43	355,420.00	351,570.00	312,070.00
Less repayment of funds heretofore reported as expended	1,817.48			
Total national cemeteries	298,921.95	355,420.00	351,570.00	312,070.00
MISCELLANEOUS OBJECTS.				
Adjutant General's Department: Collecting military records of Revolutionary War	15,110.97	25,000.00		50,000.00
Quartermaster Corps:				
Transporting and caring for interned Mexican soldiers and military refugees	298,259.65	219,744.92	170,000.00	
Building, Government Exhibit, Panama-Pacific Exposition, San Francisco, Cal			500,000.00	
Relief of sufferers from fire, Salem, Mass			200,000.00	
Relief of Southern Express Co		148.96	148.96	
Arrears of pay, bounty, etc. (certified claims)	56,694.21	50,000.00	50,000.00	50,000.00
Pay, etc., of the Army, War with Spain (certified claims)	4,997.23	10,000.00	10,000.00	5,000.00
Medical Department:				
Artificial limbs	73,717.67	275,000.00	275,000.00	95,000.00
Appliances for disabled soldiers	981.22	1,500.00	1,500.00	1,500.00
Trusses for disabled soldiers	2,104.73	3,500.00	3,500.00	3,000.00
Engineer Department:				
Survey of northern and northwestern lakes	127,817.91	175,000.00	125,000.00	175,000.00
Maps, War Department	7,500.00	10,000.00	7,500.00	10,000.00
Expenses, California Débris Commission	14,556.71	15,000.00	15,000.00	15,000.00
Prevention of deposits, harbor of New York	90,011.59	165,260.00	94,260.00	162,760.00
International Waterways Commission	13,696.93			
Raising U. S. S. Maine, etc., harbor of Habana, Cuba	48,363.70			

Expenditures for the last fiscal year (1914), the estimates and appropriations for the present fiscal year (1915), and the estimates for the next fiscal year (1916)—Continued.

General object.	Expenditures for the fiscal year ended June 30, 1914.	Estimates for the fiscal year ending June 30, 1915.	Appropriations for the fiscal year ending June 30, 1915.	Estimates for the fiscal year ending June 30, 1916.
MISCELLANEOUS—Continued.				
MISCELLANEOUS OBJECTS—continued.				
Board of Managers, National Home for Disabled Volunteer Soldiers:				
National Home for Disabled Volunteer Soldiers	$3,680,072.15	$3,976,500.00	$3,821,600.00	$3,922,829.00
National Home for Disabled Volunteer Soldiers: Judgment in favor of J. E. Parrish	12,858.53			
State or Territorial homes for disabled soldiers and sailors	831,917.57	1,150,000.00	1,100,000.00	1,100,000.00
Miscellaneous items			33,266.13	
Total, miscellaneous objects	5,278,660.77	6,076,653.88	6,406,775.09	5,590,089.00
Total, miscellaneous	5,577,582.72	6,432,073.88	6,758,345.09	5,902,159.00
RECAPITULATION.				
Civil establishment	1,896,045.21	1,944,718.00	1,931,485.95	1,930,688.00
Military establishment (including support of the Army, Military Academy, and militia)	100,737,825.65	106,500,688.65	102,017,112.04	105,866,849.86
Public works:				
Military (fortifications, arsenals, military posts, etc.)	8,185,406.02	12,022,533.59	7,413,338.99	7,925,503.75
Civil (military parks, buildings and grounds in and around Washington, and river and harbor improvements)	49,249,438.17	42,476,334.85	28,103,050.00	54,337,573.20
Miscellaneous	5,577,582.72	6,432,073.88	6,758,345.09	5,902,159.00
Grand total	165,646,297.77	169,376,348.97	146,223,332.07	175,962,773.81

RECAPITULATION.

General object.	Increase of estimates for 1916 as compared with estimates for 1915.	Decrease of estimates for 1916 as compared with estimates for 1915.	Increase of estimates for 1916 as compared with appropriations for 1915.	Decrease of estimates for 1916 as compared with appropriations for 1915.
Civil Establishment		$14,030.00		$797.95
Military Establishment (including support of the Army, Military Academy, and militia)		633,838.79	$3,849,737.82	
Public works:				
Military (fortifications, arsenals, military posts, etc.)		4,097,029.84	512,164.76	
Civil (military parks, buildings and grounds in and around Washington, and river and harbor improvements	$11,861,238.35		26,234,523.20	
Miscellaneous		529,914.88		856,186.09
Grand total	11,861,238.35	5,274,813.51	30,596,425.78	856,984.04
Less decrease	5,274,813.51			
Net increase of estimates for 1916 as compared with estimates for 1915	6,586,424.84			
Less decrease			856,984.04	
Net increase of estimates for 1916 as compared with appropriations for 1915			29,739,441.74	

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REPORT OF THE CHIEF OF STAFF.

(JULY 1, 1913, TO APR. 22, 1914.)

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF STAFF,
Washington, April 22, 1914.

SIR: Upon the conclusion of my detail as Chief of Staff, I have the honor to submit the following report for the period ending April 22, 1914:

STRENGTH OF THE ARMY.

According to the latest returns, the actual strength of the Army, Hospital, Quartermaster Corps, and Philippine Scouts not included, is as follows:

Officers, including 91 Medical Reserve Corps	4,602
Enlisted	80,000

A garrison of regiments and organizations at full statutory strength has been established in the Philippine Islands. The American troops have been concentrated in the vicinity of Manila, and very satisfactory progress has been made in all which relates to the permanent fortification of Manila Bay. The garrison of the southern islands and the Visayas is now left to the Philippine Scouts. The changes which have been made should result in very material economies, both in the matter of barracks and quarters and in transportation. The American garrison has been so concentrated as to be readily useable in any part of the islands and promptly available for the defense of Manila.

In the Hawaiian Islands we have about one-half of the total garrison. The construction of barracks and quarters is being pushed forward as rapidly as appropriations will permit, as is the work on fortifications, both seacoast and land. I urgently recommend the completion of this garrison at the earliest practicable date and that all necessary measures be taken to make it complete with respect to armament and reserve supplies of all kinds; in other words, it should always be upon a war footing in all respects and nothing left to chance.

In Panama the work on the seacoast fortifications has been pushed forward with great rapidity and energy. Only a portion of the proposed garrison has been sent on account of the shortage of quarters. As soon as funds are available for these, I urge most strongly that the construction of barracks and quarters be pushed forward as rapidly as possible and the garrison assembled with the least practicable delay, and that the garrison, like that in the Philippine and Hawaiian Islands, be maintained always upon a footing of the highest efficiency, fully equipped and supplied in all respects.

The question of the defense of Guantanamo is still under consideration; the preliminary studies have been made, but as yet there are no appropriations. In other words, the project has not yet received the formal approval of Congress. I believe that that portion of the project which relates to the Army, namely, the land defenses, the construction of barracks and quarters for the garrison, provision of

a garrison, etc., once appropriations have been secured, should be pushed forward as rapidly as possible. The establishment of a secure and sufficient naval base at this point will be of great value in the defense of the Panama Canal.

NEEDED INCREASE OF THE MOBILE ARMY.

If we are to maintain a force of Infantry within the limits of the continental United States sufficient for a small expeditionary force and the police work of the day, it will be necessary, as these garrisons approach completion, substantially to increase the enlisted strength of the 17 regiments, less one battalion (which will be the number of Infantry regiments remaining in the United States after these garrisons are completed), and to add some new regiments. I believe that the existing regiments should be increased to an enlisted strength of at least 100 men per company, and that steps should be taken to secure a sufficient additional number of Infantry regiments to complete three tactical divisions.

To furnish the necessary Artillery for these divisions and the Cavalry divisions, it will be necessary to increase the Field Artillery by 12 battalions, the necessary ammunition trains and Field Artillery parks (and eventually the depot battalions). This will give only the necessary Artillery for the three Infantry divisions and two Cavalry divisions which it is proposed to organize within the continental limits of the United States, plus the Field Artillery now in and to be sent to the foreign possessions to complete these garrisons. In this connection it should be stated that we already have two regiments of Field Artillery outside the continental limits of the United States, and one regiment more to go upon the completion of the Hawaiian and Panama garrisons.

It will also be necessary to increase the Engineer troops by seven companies in order to complete the proposed tactical organization.

Some increase will also be required in the other technical troops.

This increase in the Army, in my opinion, is absolutely necessary. The increase recommended should be made by increments on the general lines laid down in "The Organization of the Land Forces of the United States." The Infantry increase represents the number of regiments to be withdrawn from the United States to complete the garrisons of Hawaii and Panama, plus 5 new regiments, or a total of 10 regiments, which number is required to complete 3 tactical divisions. The Philippines, Hawaii, and Panama have greatly increased our responsibilities, and adequate garrisons must be provided for them. This can only be done by increasing the mobile army as above indicated, or by withdrawing the necessary troops from the United States, which would mean reducing the force here to a dangerous extent.

In addition to the shortage of Field Artillery organizations for the Regular Army above referred to, attention is again invited to the very alarming shortage in Field Artillery, guns, and ammunition, for the militia and volunteers, and to the fact that this class of matériel can not be made quickly, but must be prepared in time of peace. No amount of money or effort will serve to overcome this shortage without the expenditure of such time as might be fatal to our chances

in case of war. In my opinion every effort should be made and continued to augment the supply of this matériel as rapidly as possible until we have the prescribed allowance for the Regular Army and militia, as set forth in full detail in confidential reports submitted to the military committees of the Senate and House of Representatives during the past two years, and urged in the strongest terms in my annual reports for the past four years.

The establishment of a foreign-service roster and the maintenance of organizations at full statutory strength in our foreign possessions has resulted in the equalization of foreign service and in the maintenance in those possessions of a garrison, a large portion of which is thoroughly familiar with the conditions under which it serves, and has obviated the frequent interjection of large bodies of raw troops into these situations. I am of the opinion that when transportation appropriations permit it will be advisable as a matter of policy to bring home the older regiments and replace them by the more recently organized regiments. It will not be necessary to bring home the entire regiment, but simply the officers and men who have completed their tour of service abroad, together with the regimental number and records, probably not more than four or five hundred officers and men, replacing them by regiments of more recent creation. This is purely a matter of sentiment, but one which I think has sufficient weight to entitle it to serious consideration.

The condition of the Army on the southern frontier has continued to be satisfactory. The various and complex duties imposed upon our officers and men have been discharged with admirable tact and fidelity, and the trying work which has fallen to their lot has been discharged in such a manner as to merit the highest commendation. The state of health and contentment of the division at Texas City continues to be satisfactory. The mobilization of this—for our service—comparatively large body of troops has been very valuable. I believe that during the instruction work of the coming summer an opportunity will be given to try out practically the new Field Service Regulations in all which pertain to supply and transportation on the march.

DISTRIBUTION OF THE ARMY.

The question of the distribution of the Army is one which deserves the very careful attention of the department, both from the standpoint of economy and efficiency. The whole matter has been so thoroughly discussed in a previous report that it is not necessary to refer in detail to it here. Undoubtedly some of the suggestions therein made will have to be modified, but it is believed that the general policy outlined is sound.

SHORTAGE OF OFFICERS.

The number of officers taken from the General Staff by recent legislation should be restored. The work of this body of officers is, without question, of the greatest value to the service and exercises the strongest influence in increasing the efficiency of the Army. We can ill afford in any way to embarrass the work of the General Staff

through a shortage of officers. The work of the General Staff has done more to make an army than any other influence in our service of recent years.

There is a decided shortage of officers throughout the service. The department is unable to meet fully the reasonable and proper demands of the militia and colleges. Military instructions throughout the country is hampered by this shortage. There is no form of economy more dangerous, so far as the military establishment and military resources are concerned, than curtailing the number of officers. They are the most valuable military asset a country like ours can have, maintaining as it does a small Army in time of peace and looking to a rapid expansion through the militia and volunteers in time of war.

It is most important also that we should take up and put in operation some system looking to the acquirement of reserve officers for volunteers in time of need. I believe the plan outlined in my report of last year—

> To select from the graduating classes of those military schools at which we have officers of the Army as military instructors, on the recommendation of such instructors, 400 men each year who could be commissioned as provisional second lieutenants in the different line branches of the Regular Army, including Coast Artillery, for a period of one year, subject only to physical examination, to receive the full pay and allowances of a second lieutenant, to be junior to all second lieutenants of the Regular Establishment, and to be discharged at the end of one year with a certificate of efficiency, if they merit it, as company, troop, or battery officers of militia, volunteers, and the Regular Establishment in war—

is a practicable one. Ordinary precaution should indicate clearly the necessity for the provision of a reserve suitably instructed to serve as officers of volunteers, especially in the lower grades.

COORDINATION OF MILITARY INSTRUCTION—SCHOOLS AND COLLEGES.

During the preceding winter there have been in this city meetings of the presidents of the agricultural and mechanical colleges and military schools, and also of State universities at which military instruction is maintained, and it is gratifying to find that in nearly all of them there is a conviction as to the necessity for the military instruction of the students and a recognition of the fact that military instruction in these institutions should be coordinated and harmonized so as to insure more uniform results in instruction. There is no doubt that we are not making all the use we could and should of these institutions as military instruction centers. Every effort should be made to improve and extend military instruction thereat.

TRANSFER OF CONSTRUCTION WORK TO THE ENGINEERS.

I have the honor again earnestly to recommend the transfer of all construction work pertaining to barracks and quarters, roads, walks, sewers, piers, storehouses—in fact, all construction work of the Army of the type now under the Quartermaster Corps—to the Corps of Engineers.

I believe that this transfer will result in real economy and in marked improvement in construction work. Construction work is

now often under the charge of officers who have had no adequate training in this line of work, and its transfer to the Corps of Engineers will result in its falling under the charge of men who are specially trained for this work. Moreover, as the Engineers now do a great deal of construction work for the different departments of the Government, public buildings, monuments, and public works of all descriptions, there seems to be no sufficient reason why construction work of a similar character for the Army should not be done by the officers of this corps, who are thoroughly trained for it. There will be no real difficulty in putting the system in operation.

UNITED STATES MILITARY ACADEMY.

The Military Academy in the last four years has had the largest classes in its history. I believe that this institution should be kept at its maximum capacity. The high character of its work and the excellence of its graduates are too well known to require comment.

During the past year, after careful consideration and consultation with the academic board, the examination for admission has been somewhat broadened, through a decision to accept, subject only to physical examination, young men who have entered a college or a university of the first class, without condition, or who hold certificates which would entitle them to entrance to such an institution without examination, as set forth in the following order:

GENERAL ORDERS, No. 3.

WAR DEPARTMENT,
Washington, January 23, 1914.

A candidate for admission to the United States Military Academy from a State, district, or Territory may be excused from the mental examination for admission upon one of the following conditions:

1. That he present a properly attested certificate that he is a regularly enrolled student in good standing without condition in any university, college, or technological school accredited by the United States Military Academy, provided that the entrance requirements for the course he is pursuing in such institution include proficiency in the subjects of mathematics A_1 (algebra to quadratics), A_2 (algebra, quadratics, and beyond), and C (plane geometry); English A (reading and practice) and B (study and practice), as outlined by the college entrance examination board.

2. That he present a properly attested certificate of graduation from a preparatory school or public high school which is on the accredited list of one of the institutions referred to in paragraph 1 of this order, provided that he is thus certified to have established proficiency in mathematics A_1, A_2, and C, and English A and B, as outlined by the college entrance examination board.

3. That he present a properly attested certificate from the College Entrance Examination Board that he has passed 14 units of its examinations, including mathematics A_1, A_2, and C, English A and B, and history A (ancient history) and D (American history and civil government).

[2106380, A. G. O.]

By order of the Secretary of War:

LEONARD WOOD,
Major General, Chief of Staff.

Official:
GEO. ANDREWS,
The Adjutant General.

I believe the effect of this is going to be beneficial. In the first place we will get young men of broader general education than is at present the case. At the same time, the old method of admission remains open to those who prefer it. I believe the tendency will be

to limit the influence of the special cramming school. It will also give a much broader field of selection to those who have the designation of principals and alternates, and will enable them to exercise, to a certain extent, in making these selections the principles which apply in the Rhodes scholarships, and to select men who they consider have those qualities of leadership, character, etc., which will make them desirable officers. It also brings West Point in closer relations with the colleges and universities of the country, and enables men to make their preparations for West Point and the university simultaneously. During the past four years a very large number of cases have come to my attention where men who were anxious to enter West Point did not feel that they could give up their preparations for college for the uncertainty of appointment.

METHOD OF HANDLING MILITARY OFFENDERS.

The new method of handling military offenders referred to in my report of last year has given thus far most satisfactory results, and I am convinced that we shall be able, through its operation, to save to themselves and to the country a very large number of men who have heretofore been thrown out to become social outcasts, enemies of the Government and of the Army. There is now at Leavenworth a disciplinary battalion, with companies averaging between 80 and 90 men each. They are drilling outside the prison. The results have been very satisfactory. The whole establishment has received a new tone and there is an atmosphere of hope and appreciation where there was hitherto only desperation and despair. In other words, it marks the initiation of an intelligent effort to reform men rather than the continuance of the old policy of punishment only regardless of the effect upon the men and without intelligent effort to reform. Most of the offenders are mere boys, and every effort should be made to make good men of them. This can be done in the great majority of cases, not only without any relaxation in discipline, but with an improvement in it, for the best discipline is founded upon respect, and this can only exist where there is a conviction that superior officers have the welfare and best interests of those under them at heart.

I recommend that the policy recently adopted, and which is the basis of the reform work now being done in the disciplinary organizations at Leavenworth and elsewhere, be continued and extended, and that most earnest efforts be made to impress upon the service the necessity for greater efforts looking to the reformation of men. Most of our new men are young and inexperienced; altogether too many of them are ruined and their self-respect destroyed by the guardhouse system and by methods of handling men under disciplinary restraint, which do not tend to reformation but only too often result in destroying that self-respect without which no man can be a good soldier. Altogether too many men are placed in confinement where other disciplinary methods could be made use of to far greater advantage, both to the Government and to the man himself. The building up of what may be described as a man-to-man relationship between officers and men will do more to improve discipline and diminish desertion than any other one thing. I do not mean by this greater familiarity or loosening of the bonds of discipline, but

I do mean that there should be a closer relationship between the man and the officer, and even a deeper interest on the part of the latter in the man as an individual and in a correction of his defects, and that there should be less of the summary and often ill-considered application of punishment of a kind which tends not to reformation but to unnecessary humiliation, with its attendant loss of self-respect and consequent loss of usefulness as a soldier.

STUDENTS' MILITARY INSTRUCTION CAMPS.

The pronounced success of the two experimental military camps of instruction for students of educational institutions held during the summer of 1913, and the great benefit derived therefrom to all concerned, has justified the continuance of this form of instruction.

Four camps have been decided upon for the summer of 1914: One at Asheville, N. C., from July 6 to August 7, inclusive; one at Burlington, Vt., same dates; one at Ludington, Mich., same dates; and one at Monterey, Cal., from June 26 to July 31, inclusive.

The main object of the camps is to give the young men of the country opportunity for a short course in military training, the better to fit them to discharge their military duty should their country ever stand in need of their services. The summer vacation period is selected to enable students to attend with the least inconvenience and greatest instructional advantage.

The benefit of these camps to the Nation is that they foster a patriotic spirit, without which a nation soon loses its virility and falls into decay; they spread among the citizens of the country a more thorough knowledge of military history, military policy, and military needs, all necessary to the well-rounded education of the citizen, in order that he may form just and true opinions on the military needs of the country.

As a military asset these camps are of great value, since they afford the means of materially increasing the military reserve of the United States by instructing a class of educated men from which, in time of national emergency, would probably be drawn a large proportion of the volunteer commissioned officers, upon whose judgment and training at such a time the safety and even the lives of many of their fellow countrymen will largely depend.

The result sought is not militarism, but to make provision in some degree to meet a vital need confronting us as a warlike but unmilitary people, desiring peace, to the end that peace and prosperity may be preserved through the only safe precaution—more thorough preparation and equipment to resist any effort to break such peace.

To enter one of these camps, applicants must be citizens of the United States, between 18 and 30 years of age, of good moral character, physically qualified, and students in, or recent graduates of, universities, colleges, and the senior class at high schools.

The period of instruction is for five weeks, and those who attend must pay all the expenses connected therewith—transportation to and from the camp, subsistence at the rate of $3.50 per week, and the cost of the uniform, about $5.

Selected officers to command the student companies and to impart the instruction given, also such troops of the Regular Army as may

be necessary, and which may be available for this purpose at the time of the camp, attend and cooperate in the military instruction and in the different field maneuvers, exercises, and demonstrations.

The instruction also includes a practice march of several days' duration, in which, as nearly as possible, such actual campaign conditions of march, bivouac, and combat as the assumed situation would exact are followed.

The idea of these student military instruction camps has been received with most gratifying enthusiasm, not only by the students and their parents, but by the leading educational authorities throughout the country. I predict, if continued, as they should be, an unusual attendance, running into the thousands, and a gradual enlightenment of our people regarding the intimate relation between the military and civil departments of our Government, which relation at the present time is not sufficiently understood to be intelligently appreciated.

I recommend the cordial support of the department and of Congress of the students' military instruction camps, and that a limited amount of financial support be given them.

Concerning these camps the President has written as follows:

I am very much interested in the successful working out of the idea of these college camps. I believe the students attending will derive not only a great deal of physical benefit from the healthful, open air life, but also that they will benefit from the discipline, habits of regularity, and the knowledge of personal and camp sanitation which the experience in camp will give them.

The camps will also tend to disseminate sound information concerning our military history and the present policy of the Government in military matters, in addition to giving the young men themselves a very considerable amount of practical military instruction, which would be useful to them in case their services should ever be required.

Ex-President Taft said:

For young men who have a taste for outdoor life and military training, and, indeed, for "roughing it," I can conceive of no better opportunity for them to gratify this taste than to accept the invitation of the War Department. They can be sure it will be no boys' play if they go into it, but it will not only give them substantial knowledge of the principles of military science, but an opportunity for physical development and muscular training and a regular life that will contribute greatly to their health and strength. On the other hand, the knowledge that they will acquire will be a very good foundation for their becoming members of State militia in their homes after graduation, and will fit them to come to the rescue of the country in an emergency whenever that may arise.

The Connecticut State Board of Education, on April 22, 1914, voted as follows:

Voted: That this board respectfully directs the attention of all Connecticut high schools, colleges, and universities to the students' military instruction camp organized and maintained by the United States Government. The board is impressed with the cardinal importance of courses in military training to the end that the young men of the State may be fitted to meet their patriotic duty in time of war.

The advisory committee published the following general statement embodying its views:

After careful inquiry regarding the organization and management of the camps of instruction for college students, established by the Secretary of War in the summer of 1913, we take pleasure in certifying to their excellence.

The military instruction was thorough. The discipline was strict; but the work was so well arranged that it caused enjoyment rather than hardship.

The food, sanitation, and medical care were good, and the lessons received by the students in these matters were scarcely less valuable than the military instruction itself.

We recommend these camps to the attention of college authorities as a most important adjunct to the educational system of the United States, furnishing the student a healthful and profitable summer course at moderate expense.

JOHN G. HIBBEN,
President of Princeton University.
A. LAWRENCE LOWELL,
President of Harvard University.
ARTHUR TWINING HADLEY,
President of Yale University.
JOHN H. FINLEY,
President of the College of the City of New York.
H. B. HUTCHINS,
President of the University of Michigan.
GEORGE H. DENNY,
President of the University of Alabama.
E. W. NICHOLS,
Superintendent Virginia Military Institute.
BENJAMIN IDE WHEELER,
President of the University of California.
HENRY STURGIS DRINKER,
President of Lehigh University.

ARMY LEGISLATION.

The following legislation is pending:

Detached service for field officers (H. R. 4351). (Attached hereto as Appendix A.)

Volunteer bill (H. R. 7138). This bill has passed the House, but has not yet passed the Senate. It is most important that it should be enacted into law with the least practicable delay. The bill if enacted as it stands at present will cost nothing in time of peace and will result in enormous saving in time of war; it will also greatly facilitate the raising of volunteers.

The draft of a proposed bill has been submitted to Congress relative to the transfer of certain staff officers to the line of the Army, and to place the Judge Advocate General's Department under the detail system. This has not yet been acted upon by Congress. It is attached hereto, with letter of transmittal, as Appendix B.

Whether this bill is enacted into law or not, I believe it is most essential that the field of selection for the heads of bureaus should be so amplified as to include all officers in the line of the Army above the grade of major. The present system tends in no way to promote the best interests of the service. The President is limited in his selection to a very small number of officers, whereas he should have the widest field from which to choose. I believe it is most important that the status of bureau chiefs as to detail should be similar to that of officers detailed in the Staff Corps or in the General Staff, namely, subject to relief at any time the Secretary of War may deem such relief desirable, and that provision should be made for their transfer to duty with the arm or corps from which they came, in the grade and at the place they would have occupied had they remained in the arm or corps and received regular promotion. It is only through some such measure as this that the same measure of control can be exercised over these officers as is exercised over officers in the line and

detailed officers in the Staff Corps, including the Chief of Staff and officers of the General Staff.

A bill for the establishment of new grades for general officers of the Army. This is attached hereto as Appendix C. It sets forth in full the reasons for its enactment.

The proposed measure involves no increased expense and simply serves to put the general officers of our Army on a footing with the general officers of the Marine Corps, the flag officers of the Navy, and officers of foreign services. Under the present arrangement brigadier generals of the Army of long service and much experience are junior to the most recent appointee to the grade of general officer in the Marine Corps or rear admiral in the Navy. This constitutes an unjust and unfair discrimination against the Army, which should not be continued.

A bill to designate the Porto Rico Regiment of Infantry as the Thirty-first Regiment of United States Infantry and make it a three-battalion regiment has been incorporated in the Army appropriation bill, pages 24–26, attached hereto as Appendix D.

This is an excellent regiment and its incorporation into the Regular Army will, in my opinion, be a wise measure and tend to increased efficiency. It will also make it possible to transfer officers to and from this regiment for duty as the best interests of the service may require.

A bill changing the term of enlistment and embodying a proposition for the building up of an adequate reserve. This is one of the most important measures which has ever been before Congress, so far as the efficiency of the Military Establishment is concerned. It is most earnestly hoped that it will receive immediate and favorable consideration. The Army can not be considered as efficiently organized until an adequate reserve has been established. In fact, I consider the passage of this bill, or one on similar lines, to be of vital importance to the Military Establishment. (This is attached as Appendix E.)

Under the present arrangement the nation is securing only a portion of the returns it should receive in the way of military reserves for the money expended. The present system is short sighted and extremely expensive. It provides no adequate reserve and falls far short of attaining what could be attained under a system of reserves which has been proposed and urged by the War Department. The present situation serves to illustrate forcibly the folly of our present system. Our regiments of Infantry are about half their full statutory strength; we have no reserves to fill them up; under the present system few or none will be secured, because the present law makes it to a man's interest on leaving the service to keep out of the reserve rather than come into it. We can not fill up the regiments with untrained men without greatly destroying their efficiency; consequently, we find ourselves confronted with an embarrassment which can only be chargeable to the failure to appreciate the importance and necessity of proper military preparedness. If the Army is to attain maximum efficiency we must have an adequate system of reserves.

Another measure of importance is the militia pay bill, which has been presented to the chairmen of the Senate and House Military Committees for informal consideration. It has not yet received the formal approval of the Secretary of War, who is now awaiting sug-

gestions from the chairmen of the above-mentioned committees regarding the draft of the proposed bill, as made after repeated conferences between representatives of the War Department and representatives of the Organized Militia.

If this bill can be enacted in such form as to make certain the services of the militia whenever wanted by the Federal Government, and to insure that they shall come up to the standards required by the Federal Government in all respects as to physical condition, instruction, etc., the additional expense will be justified; if this can not be done, it will not.

Another measure of great importance is the revision of the Articles of War. I do not know of anything which will tend more to better service conditions, facilitate the proper and intelligent handling of our military offenders, than the enactment by Congress of the revision of the Articles of War proposed by the War Department.

A bill, following a draft prepared by Gen. Crowder (H. R. 23628) to amend section 1342 of the Revised Statutes (the Articles of War) was introduced in the House of Representatives on April 22, 1912, during the second session of the Sixty-second Congress. A similar bill (S. 6550) was introduced in the Senate on April 25, 1912. Hearings on H. R. 23628 were held before the Committee on Military Affairs of the House of Representatives extending from May 14, 1912, to May 27 of that year.

On February 4, 1913, during the third session of the Sixty-second Congress, Senator du Pont introduced a bill (S. 8272) to regulate the constitution, composition, and jurisdiction of courts-martial in the Army. The substance of this bill, covering nine articles of the proposed revision relating to the military judiciary, was embodied as a rider in the Army appropriation act for the fiscal year 1914, enacted March 2, 1913. No further action was taken on the proposed revision during the Sixty-second Congress.

On April 15, 1913, during the first session of the Sixty-third Congress, Senator Johnston introduced the project, in amended form, as S. 1032. This bill was referred to the Senate Committee on Military Affairs, and was reported back on February 6, 1914, with the recommendation that it pass as amended. (See Senate Report No. 229, 63d Cong., 2d sess.) The bill as amended was passed by the Senate on February 9, 1914. It is now before the Military Committee of the House.

Another measure of importance is the draft of a proposed personnel bill, which has been presented to you for your consideration. This is attached hereto as Appendix F.

This embodies a policy which has received the favorable consideration of the President and Secretary of War for a number of years. It is one upon which the increased efficiency of the service in a large measure depends. I am convinced that we can not go on under our present system and attain anything like the degree of efficiency which we would have under conditions such as would be made possible by the enactment of the proposed legislation. This question has been dealt with very fully in my report of last year and preceding years. I believe that legislation of the general character herein outlined is absolutely essential, and that it will be of lasting benefit, not only to the service itself but to the Government through

the resulting conditions of greater efficiency which will follow its enactment.

The proposed plan relative to the coordination and harmonizing of instruction throughout the Army was the result of conferences held at the War College, at which representatives of the academic board at West Point and representatives of the various service schools were present. It outlines what I believe to be a sound policy, and its adoption will result, in my opinion, in decided advantage to the Army; it will give a more progressive and logical scheme of instruction, one better fitted to turn out a well-equipped officer. Some legislation will be required with reference to examination for promotion, but otherwise it can be put in force through administrative action.

There is also attached hereto the draft of a proposed bill providing for the proper reorganization of the Army. This bill has not yet received the formal approval of the War Department. It will be noted that among its provisions is one establishing the council of national defense. I am of the opinion that this should be separated from the proposed reorganization bill and introduced as a separate bill. (Appendix I.) This subject is now undergoing a final revision preliminary to presentation to you.

There are also a number of other measures, relative to filling vacancies in the Corps of Cadets, official recognition of distinguished service, consolidation of the veterinarian service of the United States Army, proposed legislation requiring the allotment of a portion of the pay of enlisted men for the support of their families, the loan of tents and camp equipment by governors of States to military schools and colleges, acceptance of certain lands at Anniston, Ala., and Tullahoma, Tenn., tending to protect the dignity and honor of the uniform, permitting the sale by supply departments of the Army to certain military colleges and schools, and other minor matters.

SERVICE REGULATIONS.

There have been prepared recently and issued to the service the new and revised edition of small-arms firing regulations, organization tables, tentative Cavalry service regulations (for further remarks concerning this see Appendix G), and field-service regulations. A revision of the Guard Manual has been prepared and an approved project looking to the coordination and harmonizing of educational work in the Army (attached hereto as Appendix II) are also under consideration.

CONCLUSIONS.

In conclusion, I wish to reiterate the substance of my recommendations of last year:

First. The establishment of an adequate reserve of trained men.

Second. The prompt supply of that portion of our very moderate project for Field Artillery, guns and ammunition, which has not yet been provided for.

Third. The creation of the necessary organizations to give three complete tactical Infantry divisions within the continental limits of the United States.

Fourth. The enactment of such personnel legislation as will eliminate effectively the unfit and stimulate the efficient officer to continued efforts through establishing a condition under which progress in rank and command will have a close and dependent relationship upon capacity, fitness, and accomplishment. Such is not the condition now.

The first and second of the above recommendations deal with conditions which should be corrected with the least possible delay, as their continuance means disaster in case of war. Their correction will take time, and measures looking thereto should be pushed as rapidly as possible.

The third is necessary to complete one field army of Regular troops within the continental limits of the United States. It means a field army of about 70,000 mobile troops in a population of more than 90,000,000.

The fourth is essential if we are to attain the highest degree of efficiency.

Very respectfully,

LEONARD WOOD,
Major General, Chief of Staff.

The SECRETARY OF WAR.

(APRIL 22, 1914, TO NOVEMBER 15, 1914.)

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF STAFF,
Washington, November 15, 1914.

SIR: I have the honor to submit the following report for the period from April 22, 1914, to November 15, 1914:

STRENGTH OF THE ARMY.

According to the latest returns, the actual strength of the Army, exclusive of the Philippine Scouts, is 4,572 officers and 88,444 enlisted men. The authorized strength of the Army is 4,726 officers and 95,977 enlisted men. The Army is therefore 154 officers and 7,533 enlisted men below its authorized strength.

Of the total present enlisted strength of the Army, 22.50 per cent, including recruits and recruiting parties, belongs to the noncombatant and noneffective class, and is not with the colors; 19.45 per cent is in that branch whose special function is coast defense; and 58.05 per cent belongs to the mobile forces (Engineers, Cavalry, Field Artillery, Infantry).

Of the actual strength of the Army from the latest returns, 1,067 officers and 19,899 enlisted men (including recruits and men engaged in recruiting) belong to the staff, technical, and noncombatant branches of the Army.

Seven hundred and forty-six officers and 17,201 enlisted men belong to the Coast Artillery and 2,738 officers and 51,344 enlisted men belong to the mobile Army (Engineers, Cavalry, Field Artillery, and Infantry).

MOBILE ARMY.

The total strength of the field or mobile forces in our Army is therefore less than 52,000 enlisted men. If from this strength the noncombatants and noneffectives, belonging to the regimental, troop, battery, and company organizations, such as the noncommissioned staff, musicians, cooks, scouts, etc., which aggregate 5,376, are deducted, the actual fighting strength of the Army with the colors, and without deductions for officers and men sick, on furlough, detached service, etc., would be 2,738 officers and 45,968 enlisted men.

There are in the line of the United States Regular Army (including Coast Artillery), not including the two battalions of the Porto Rico regiment, 65 regimental and 758 troop, battery, and company organizations. Under existing laws, there belong to these organizations 322 regimental field officers and 2,358 company officers. Of these officers, according to latest returns, 93 field and 675 company officers are at present absent from their commands on detached service, on leave, or sick. This important branch of the Army is therefore at the present time 28.656 per cent short of the officers who are deemed necessary under existing laws for its instruction, training, and discipline. As the department draws mainly upon the units of the forces in the United States proper for officers for detached service, maintaining as far as possible the full complement of officers with the organizations on foreign service, the percentage of regimental and company officers absent from their organizations is far higher for those organizations in the United States than the above percentage would indicate.

DISTRIBUTION OF THE MOBILE ARMY.

The enlisted men of the mobile Army are distributed as follows:

In the United States proper	30,481
In our foreign possessions	20,863
Distributed as follows:	
In the Philippines	7,212
In the Hawaiian Islands	6,832
In the Panama Canal Zone	1,681
In China	690
In Alaska	431
In Vera Cruz	3,434
In Porto Rican Regiment	583

Of the enlisted men of the mobile Army in the United States, 18,954 are in the field in Texas and on the Mexican border, 1,665 are in the field in Colorado, 245 are temporarily in Montana, 300 are in Arkansas, and only 9,317 are at their home or permanent stations. It may be added that the department is under the necessity of dispatching in the near future at least one additional regiment of Infantry to Panama, and that this action will still further reduce by at least 1,200 the number of troops of the mobile Army remaining within our continental limits.

MATÉRIEL FOR THE MAINTENANCE OF THE MOBILE ARMY.

A fairly adequate supply of ammunition and other matériel to maintain the mobile Army in the field for a period of six months is now on hand and available.

COAST ARTILLERY CORPS.

As to the Coast Artillery branch of the Army, the strength of that corps must necessarily depend on the number and character of the coast defenses which it is required to man. Its strength has no relation to the strength of the mobile Army other than that the strength of the latter must be adequate to protect the fortified positions from attack from the rear.

Under the present approved policy of the War Department the Coast Artillery defenses in our foreign possessions are to be manned entirely by organizations belonging to the regular service. The Coast Artillery defenses in the United States proper are to be manned at the rate of 50 per cent of the gun and mortar defenses by the Coast Artillery Corps of the Organized Militia.

The strength of the Coast Artillery of the Regular Army, from latest returns, is 746 officers and 17,201 enlisted men. The estimate of the Chief of Coast Artillery shows that 1,312 officers and 30,309 enlisted men of the Regular Army in addition to the 740 officers and 18,531 enlisted men of the Organized Militia required to man 50 per cent of the gun and mortar defenses in the United States are necessary to man the seacoast defenses now existing at home and in our foreign possessions. As the authorized strength of that corps of the Regular Army is 748 officers and 19,019 enlisted men, it is at present 2 officers and 1,818 enlisted men below its authorized strength and 566 officers and 13,108 enlisted men below the necessities as estimated by the Chief of Coast Artillery, in addition to the deficiencies in the Coast Artillery Corps of the Organized Militia. The total deficiencies in the Coast Artillery Corps of the Regular Army and the Organized Militia are, therefore, 856 officers and 24,489 enlisted men.

DISTRIBUTION OF THE COAST ARTILLERY.

The companies of the Coast Artillery Corps are distributed as follows:

	Companies.
On the Atlantic, Pacific, and Gulf coasts of the United States proper	140
In Texas (equipped and acting as infantry)	5
In our foreign possessions	25
That is:	
In the Philippine Islands	11
In the Hawaiian Islands	8
In the Panama Canal Zone	6

The aggregate enlisted strength of the Coast Artillery Corps required to man the coast defenses in the United States is reported by the Chief of Coast Artillery to be 24,075; the actual number available is 14,633. The aggregate enlisted strength required to man the coast defenses in foreign possessions now completed, or to be completed in the near future, as reported by the Chief of Coast Artillery, is 6,234; the actual number now in those possessions is 2,568. It therefore appears that there is a deficiency of 9,442 enlisted men for the home coast defenses and 3,666 for those in our foreign possessions.

Naval armament in the last few years has rapidly developed, particularly in respect to the caliber of the guns, their ranges, and the rapidity with which fire from these guns can be delivered. At the present time the tendency is to place on the higher type of battleships guns as large as 15 inches in caliber. These guns, whilst carry-

ing a projectile of less weight than those used with our direct-fire type of seacoast guns, have, owing to the greater length of the guns and the higher powder pressures used, a very distinct advantage in range, their range exceeding that of our 14-inch guns from 2,000 to 3,000 yards. Whilst this advantage in range is to a degree offset by the instability of the naval platforms and the less accurate methods of obtaining ranges from ships than from land defenses, there still appears to remain a distinct advantage in this respect, which, coupled with the number of these caliber guns now being carried on the stronger type of naval ships, makes it necessary to give careful consideration to the question whether there should not be a change, not only in the length, caliber, and powder pressures of our heavier type of guns, but whether there should not be a change in the emplacements so as to give overhead protection to the crews operating the guns. In other words, it is my opinion that careful consideration should be given, at least in the establishment of new defense districts, to the question of the caliber, length, and range of the seacoast guns, as well as to the question whether the turret system for the protection of the gun and its crew should not be adopted, in order to put the land defenses somewhat nearer on a parity with the naval guns which are liable to attack them. As a fleet of 8 battleships of the most modern type can throw against a single target 118 projectiles per minute, the danger that must arise from the possibility of fragments of these shells and the débris thrown up from their impact against the concrete parapets which protect the guns to the crews as well as to the delicate and complicated machinery which operates the guns, would indicate that overhead protection against such fragments should be provided in order to insure the most effective operation of the coast armament.

MATÉRIEL FOR THE COAST ARTILLERY DEFENSES.

Matériel for the coast artillery defenses as at present established and under construction is fairly adequate in the matter of guns, mortars, and mine matériel. There is a serious deficiency, however, in ammunition for these defenses, the supply which the department has been attempting to maintain being on the basis of approximately an hour's full and active operation of the guns in the United States proper and a two hours' full and active operation of the guns in over-sea fortifications. According to the report of the Chief of Coast Artillery, the amount of ammunition now available and provided for by appropriations is equal to about 73 per cent of this requirement for the guns and 50 per cent for the mortars. The amount of explosive necessary to load and operate the mines now provided at our various coast defenses for one charge is complete. The deficiencies in the matter of fire control and searchlights are of the most serious character. As a matter of fact, proper fire control and searchlight installation is only maintained in a limited number of first-class defense areas, the remainder of the fire-control systems and searchlight equipment being deficient or improvised.

ORGANIZED MILITIA.

According to the latest returns, the total reported strength of the Organized Militia is 8,323 officers and 119,087 enlisted men. Of this

force, 855 officers and 5,026 enlisted men belong to the staff and noncombatant branches, 450 officers and 7,150 enlisted men belong to the Coast Artillery, and 7,018 officers and 106,911 enlisted men to the mobile forces (Engineers, Cavalry, Field Artillery, and Infantry). Of this force there were present at the annual inspection 692 officers and 4,090 enlisted men of the staff corps, 439 officers and 5,989 enlisted men of the Coast Artillery, and 6,553 officers and 85,541 enlisted men of the mobile forces, a total absenteeism from inspection of 639 officers and 23,467 enlisted men. Reports as to the attendance at camps of instruction show that 568 officers and 3,744 enlisted men of the staff corps, 423 officers and 6,135 enlisted men of the Coast Artillery, and 5,904 officers and 77,353 enlisted men of the mobile forces attended these camps of instruction, showing a total absenteeism of 1,428 officers and 31,855 enlisted men from these camps.

As regards practice with the rifle, there were 111,140 officers and men in organizations armed with the rifle. The total number who fired the rifle during the range-practice season, 1913 (the last report available), was 66,974. The total number who fired the rifle during the range-practice season, 1913, and qualified as second-class men or better, was 42,599 officers and men.

From the above figures it will be seen that only 81.07 per cent of the total reported strength of officers and men of the Organized Militia attended the annual inspections; that only 73.87 per cent of officers and men attended the camps of instruction; that the number of men who had any practice with the rifle during the target season 1913 was 52.56 per cent; and that the number who qualified as second-class men or better was 33.43 per cent.

The requirements of the regulations are that units of the Organized Militia shall have at least 24 drills of one hour each per annum. Reports indicate that whilst in a majority of States these requirements were fully met as regards the organizations, yet in a majority of organizations there were a number of enlisted men who failed to attend 24 times for drill and instruction during the calendar year 1913. The total number so failing to attend during the year 1913 was 37,874 men out of a total of 119,087.

There is no indication of the number of practice marches held by the units of the Organized Militia during the year, and it is believed to be a safe conclusion that not a single unit at its maximum strength marched a distance of 10 miles fully equipped and armed.

The above figures, taken in conjunction with the fact that the number of companies, troops, batteries, etc., is 2,000, and that of this number 1,120 organizations are below the prescribed minimum strength, would indicate to a degree the dependence to be placed upon this force.

As organized the militia is deficient in the following units to make it a properly balanced and efficient field force:

Cavalry, number of troops	54
Field artillery, number of batteries	79
Engineers, number of companies	14
Ambulance companies	34
Field hospitals	12

The deficiency in its coast artillery branch is 290 officers and 11,381 enlisted men.

As to the matériel necessary to put this force into the field and maintain it there for a period of six months, there is a very decided deficiency in many important respects. For instance, there are but 550 horses available for the use in drill and instruction of the cavalry, which aggregates 4,940 officers and enlisted men. The deficiency in horses for the field artillery is even greater than that of the cavalry. There are no animals for the signal or sanitary troops. As regards wagon transportation, the militia as now organized is deficient 1,934 wagons. Should the militia be assembled into divisions and separate brigades, the deficit would be 5,836 wagons. There are no draft animals available. These deficiencies in matériel are very important, inasmuch as they must be supplied before the Organized Militia forces can be made available for field operations.

As regards field artillery matériel for the Organized Militia, should this force be called into service with its present number of batteries, the total amount of ammunition necessary therefor would be 1,300,000 rounds of 3-inch ammunition, based on an average of 5,000 rounds per gun, which is equivalent to the best standards of supply of this character of ammunition in foreign armies. To completely equip the proper number of batteries for the 12 militia divisions, including the auxiliary divisions, there would be required, in addition to matériel now in the hands of the Organized Militia, 316 field guns and 1,322,384 rounds of ammunition.

MILITARY ESTABLISHMENT.

If it is deemed that the condition and strength of our military establishment (including the Organized Militia) as above set forth is satisfactory and adequate to our needs at home and in our foreign possessions under modern conditions and existing circumstances, there appears to be no necessity for special action beyond maintaining that establishment at its present strength and in about its present condition. To make even this force effective, however, by proper training and instruction, a number of additional officers and noncommissioned officers of the Regular Army are urgently needed—first, in order that a full complement of these instructors may be kept with the units of the Regular Army; second, that we may have available an adequate corps of trained instructors for the militia.

In case, however, the strength and condition of that establishment as set forth is deemed inadequate and unsatisfactory, it is pertinent to make suggestions as to what should be done to correct this condition and provide a military establishment adequate to our needs and responsibilities. These suggestions, in my opinion, should be based upon study of conditions as they are in our country and in our foreign possessions, including home needs and the needs which might arise in our relations with other countries.

In looking over the strength of our garrisons in foreign possessions it becomes at once manifest that the garrisons we are maintaining there or propose to maintain there under the scheme of distribution of our Army as it exists at present are entirely inadequate to the needs of those possessions. That an effective defense against an enterprising enemy in the Philippines could be made with

a deficiency of 33 per cent of the manning details of the coast defenses of Manila and Subig Bay and with a mobile force of a little over 7,000 American troops, supplemented by less than 6,000 Philippine Scouts, is manifestly impossible; that the great waterway of the Panama Canal can not be protected against the operations of a first-class military power by the present or proposed garrison we contemplate placing there without the power and ability to reenforce it rapidly by troops from the United States is equally manifest; that we can retain our valuable Territory of Alaska in its isolated position against an enemy with any military power by placing there a garrison of less than 500 men verges on the ridiculous unless we have ample forces at home to occupy that Territory in the very earliest stages of an impending conflict. As regards the Hawaiian Islands, all military persons will recognize that the proposed garrison in this possession is far below what it should be to meet a serious attack unless, in this case again, we have an adequate force on the Pacific coast ready to dispatch to the islands when trouble is impending. It must therefore be frankly admitted that the present garrisons of these outlying possessions are entirely inadequate for the purpose for which they have been sent there, and that without a material change in conditions at home we have no available resources from which to reenforce them, even should time be given to us to do so. As the Philippines are too distant from the United States to be reenforced when war is impending, it would seem necessary that the garrison of those islands should be at least a full manning detail for the Coast Artillery defenses and one complete division at full war strength plus the necessary administrative staff. As to our other outlying possessions, it may be said that the garrisons proposed for those possessions, with the exception of Alaska, may be considered adequate only under the contingency that we have available in the United States sufficient thoroughly trained troops in excess of our home needs to warrant us in heavily reenforcing the peace garrisons.

As to the necessities within the continental limits of the United States, whilst our isolation by water from the other great powers is an undoubted protection, that protection is limited by two main factors:

First. The power of our fleet to protect the country from invasion over those seas.

Second. Our ability to assemble rapidly at the points of debarkation selected by an enemy an adequate force to delay, if not prevent, his effecting a lodgment on our shores.

Whether or not our Navy is adequate for the purpose indicated, i. e., to protect our country from over seas, is a question beyond the scope of this report. That we can not, with our present strength, rapidly assemble a sufficient force, fully equipped for field operations, to meet such an expedition as might be dispatched against our shores is evident. The very fact that an enemy traversing the seas would have a wide choice of landing points, or points of attack, at once evidences the difficulties attending the assembly of organizations of sufficient strength to meet him at the point he may select. It therefore appears to be necessary that the general distribution of forces to meet such a situation would be on a very wide front, if prompt opposition to a landing is to be effected.

Fortunately there is no apparent need for garrisons of any great strength on our northern frontier. This, however, is not true as regards our southern frontier where for the greater part of the last three years we have been compelled gradually to increase the number of troops until at the present time over two-thirds of the mobile forces of our Army in the United States are concentrated.

Careful consideration of our needs would indicate the advisability and necessity for having at all times available at home and, in addition to the necessities in our foreign possessions, in the first line of our military establishment a mobile force of at least 500,000 thoroughly trained and thoroughly equipped fighting men, with adequate supplies for the operation of this force for a period of at least six months. This is a conclusion that seems to have been reached by all those who have given careful consideration to this question. It is also agreed that we should have, as a second line, a thoroughly equipped and trained force of Organized Militia of not less than 300,000 men, properly proportioned as to its staff and several arms, with stores and supplies necessary for its operation in the field for a like period. The smaller units of the standing Army and the corresponding units of the Organized Militia must manifestly be organized into the higher units of brigades and divisions and be susceptible of assembly for drill and field exercises, for without such organization and power of assembly the troops themselves, not to speak of the higher commanders, would be without that experience which is essential to effective operation in war.

As stated elsewhere in this report, the strength of the Coast Artillery Corps bears no relation to the strength of these mobile forces; that corps is charged with the manning and the operation of the seacoast defenses. The mobile Army, on the other hand, must not only be prepared to meet the forces of the enemy after they have effected a lodgment on our coast, but must be prepared, at least in the initial stages of war, to guard all the fortified positions on our coasts from attack from the rear by landing parties from naval vessels and such transports as they may be able to convoy. While the strength of the Coast Artillery Corps therefore depends upon the number of fortified positions it has to operate, the strength of the mobile forces will depend upon the number of fortified positions it must defend from attack from the rear or turning point, plus the necessities which may arise to meet and oppose the landing of an expeditionary force in a region beyond the range of our seacoast guns.

In any scheme to create such a force of mobile troops, as is above contemplated, we can not do better than to follow the example of the master minds in military organization for national defense. The policies developed in this direction all include, amongst others, the primary plan of using the standing Army as a school for the training of men who, on graduation from that school, pass into the reserve and constitute the real national military strength. Experience has shown that from two to three years of active service in the standing Army is the lowest possible limit of time within which the average man can be converted into a disciplined, trained, and effective soldier. After passing through the school and gaining experience, the men, under this plan, are separated from the active Army and go into the reserve for periods varying from five to a

greater number of years, being held at all times, whilst allowed during peace to pursue with the utmost freedom such civil occupations as they may select, under obligation to respond to a call to the colors in case of national need. This system is economical in the highest degree, as the officers and men receive pay only during their active service, and on being called to the colors, the period spent in the reserves involving no expense in the way of emoluments.

In arriving at a conclusion as to what the size of the regular mobile army should be, in order that the country may eventually and within a reasonable time have a military establishment adequate to its needs, it is necessary to decide what the size of the Regular, or standing, Army should be in order to provide the 500,000 men believed to be necessary with the colors and in the reserves. Assuming the adoption of a short term of enlistment—say, three years—for the passage of the men thoroughly trained in the school of the Regular, or standing, Army into the reserve, and that men so trained should not be held in the first reserve for a longer period than five years, it would appear that the size of the Regular, or standing, Army to be used as a school for the training of reservists should be about 205,000 enlisted men. If from such an army, organized on a basis of three years' training, we discharge yearly that increment below the grade of sergeant which had completed its three years' training, we would have, with due allowance for deaths, etc., in the first year of its complete operation an army of 263,700 (205,000 plus 58,700 reserves); in the second year an army of 322,400 (205,000 plus 117,400 reserves); in the third year an army of 381,100 (205,000 plus 176,100 reserves); in the fourth year an army of 439,800 (205,000 plus 234,800 reserves); in the fifth year an army of 498,500 (205,000 plus 293,500 reserves). After this the Army would be maintained at the last figure, and in addition we would be accumulating trained men in the second reserve at the rate of about 55,000 each year.

The rule as to the accumulation of reserves for the operation of the Coast Artillery Corps does not seem to have the same force as when that principle is applied to the mobile army, inasmuch as it is necessary for the Coast Artillery at all times to man their defenses with practically the full complement, and that corps, as it is not charged with any greater requirements as to strength in war than in peace, does not require expansion in war. However, the principle applies to a degree, at least, to this corps in order that its ranks may at all times be readily filled with experienced men when war is imminent.

Whether our country could adopt the principle of creating a reserve without compensation to the reservists whilst not actively serving with the colors is doubtful, it would seem that a small remuneration might be given for the retention of their services.

No reason is seen why the same principle as to reserves should not be applied to the Organized Militia, and the men trained in its units be bound for service for a period corresponding to that of the reservists for the Regular Army. It must, however, be admitted that unless there be a material change in the laws governing the Organized Militia which will bring about a greater reliance upon and an increased control by the General Government, that branch of our

military establishment can not be regarded and depended upon as a reliable force. Such a modification in the law to meet this end might be brought about by placing the Organized Militia under pay by the General Government and, under a binding obligation, to serve at its call. This, it is thought, would produce a state of affairs where the Organized Militia will be much more thoroughly trained than it possibly can be under existing laws, and to that extent can be more surely depended upon. In any regulations or modifications of law looking to the better organization of the militia as a national force it naturally follows that the United States should have the power to create in the Organized Militia that parity of the several arms of the service and staff which is essential for effective operations in war. It should also have the power to detach from the Regular Army such numbers of officers and noncommissioned officers as it may find necessary to place on duty with the Organized Militia to aid and assist the officers of that branch of the national defense in a thorough training of the units.

The question of supplies and equipment necessary to make such forces as we may organize effective is of primary importance. No matter what size force we may have, it will be ineffective without proper and adequate supplies and equipment. It would, therefore, appear that we should establish depots in which should be deposited all those supplies necessary to the effective operation of our Army which can not be readily and rapidly procured in the first stages of war.

No attempt will be made to enter into particulars as to the character of supplies that it will be necessary to accumulate and store for the use of such forces as are contemplated in the above scheme; that is, a regular mobile army, including its reserves of 500,000 men, and a force of 300,000 mobile Organized Militia troops, including its reserves. One illustration will be sufficient, and that will be taken from the munitions most necessary in war, as rifles and field artillery. The proper proportion of rifles in a force of this character, including the Cavalry, which is armed with the rifle, would be 642,541. The minimum accumulated supply of rifle ammunition, based on 1,000 rounds per rifle, should be 646,000,000 rounds. The proper proportion of field and heavy guns of the mobile type, and exclusive of the gigantic engines of war of more recent introduction, drawn by tractors, no types of which have as yet been developed in this country, would be 2,834. The ammunition for this type of guns, based upon a supply of 5,000 rounds per light field gun, with a corresponding proportion for the heavier field guns, a conservative estimate, if we regard the examples of the great military nations, would be 11,790,850 rounds. It is sufficient to point out that at the present time we have on hand and being manufactured 698,374 United States rifles (model 1903) and 241,000,000 rounds of ammunition for these rifles, 852 field guns and 580,098 rounds of ammunition for these guns. The number of guns per thousand men used in the calculation as to the total number required in the above estimate as to force is five, that number being considerably below the average in European armies. It should also be remembered that large numbers of guns and large masses of ammunition are, in an active war, liable to capture and destruction, and that to start into field operations with the expectation that the pro-

portions given will be maintained without large sources of manufacture, would be fallacious. As the factories and works in this country which can produce munitions of war of the above character are exceedingly limited, it is evident that a full supply of this type of matériel must be stored and ready for use before war is undertaken.

DEPOTS.

As regards the depots in which supplies for the military establishment should be stored, their distribution should be in the immediate vicinity of the troops, both of the Regular Army and the Organized Militia, which are to be equipped from them. The distances in this great country between the present limited number of depots and the stations of the troops or the areas from which the troops will mainly be drawn, are so great that an effective distribution from them to troops organized under the general scheme here contemplated would be ineffective in that it would consume a great amount of the limited time which modern warfare indicates would be at the disposal of a country subject to attack whose plans contemplate the mobilization of its forces only after war is imminent or has been declared.

OPERATIONS OF THE ARMY.

On the 22d of April, 1914, the naval forces occupied the city of Vera Cruz, Mexico. In accordance with the directions of the President, so much of the Fifth Brigade of the Second Division, with certain auxiliary troops, as could be accommodated on the transports at that time available, were ordered dispatched from Galveston, Tex., to Vera Cruz. Brig. Gen. Frederick Funston, with 225 officers and 3,832 enlisted men and a limited amount of transportation, sailed with the major portion of his reenforced brigade from Galveston on the 24th of April and arrived at Vera Cruz on the 28th of April. At noon on the 30th of April, Gen. Funston took over the command of the city of Vera Cruz from the naval authorities, and with his force of 3,832 enlisted men of the Army and 3,333 enlisted men of the United States Marine Corps, ordered to report to him for duty, making a total enlisted force of 7,165 men, occupied the immediate suburbs of the city, and extended his lines to include El Tejar, about 9 miles distant, where the main source of fresh water supply for the city is located. A large proportion of the reenforced brigade was necessarily left in Galveston on April 24, due to the lack of water transportation facilities. Owing to changed conditions subsequent to the occupation of the city of Vera Cruz by our forces, the original strength of Gen. Funston's command which landed at Vera Cruz has not been augmented, and certain elements of the brigade which properly belong to it, such as parts of its field artillery, cavalry, and transportation, have been retained ever since at Galveston. The latest reports indicate that the enlisted forces of his command have now shrunk to about 3,434 men of the Army and 2,500 men of the Marine Corps, an aggregate enlisted strength of 5,934, this shrinkage arising mainly, so far as the Army is concerned, from the discharge of time-expired men and sickness.

The health of the command during the time it has been in Vera Cruz has, owing to the unremitting attention given to sanitation, been remarkably good, the sick rate steadily decreasing until, as indicated by the last reports, it was between 1.35 and 1.93 per cent.

It is due to this command to call particular attention to its having been able to avoid friction with the foreign elements of the population and the armed forces which have at all times confronted it. The situation was a delicate one and called for the greatest tact on the part of both officers and men. No instances have been brought to the attention of the department of any serious friction between the troops and the inhabitants of Vera Cruz or with the armed bodies of Mexicans outside the city.

The 1,703 miles of Mexican border from Brownsville, Tex., to the vicinity of San Diego, Cal., was, on the 22d of April, kept under observation and patrolled to the extent possible by 359 officers and 8,260 enlisted men under the command of Brig. Gen. Tasker H. Bliss, who, as commanding general of the Southern Department, controls the border from the mouth of the Rio Grande to the Colorado River, and Maj. Gen. Arthur Murray, who, as commanding general of the Western Department, controls the border from the Colorado River to the Pacific coast.

When the news of the occupation of the city of Vera Cruz by United States forces reached the border, a marked increase of the feeling of uneasiness and apprehension became manifest, both on the Mexican and on our side. Conditions there became such that it was deemed advisable to make a material increase of the forces at the disposal of the commanding general of the Southern Department, and to that end the Eighth Brigade from the Western Department, the Second Brigade from the Eastern Department, the Sixth Field Artillery from the Central Department, and five companies of the Coast Artillery Corps from the coast-defense district of the Gulf, aggregating 193 officers and 5,545 enlisted men, were ordered to report to the commanding general of the Southern Department for assignment to station, and were by him distributed along the border. This movement, together with the changes made in the Western Department, brought the strength of the Regular Army forces on the border and in Texas up to over 20,000 men. The duties performed by these troops have been of a very arduous and exacting character. Living for the most part under canvas or improvised shelter, they have had the task of patrolling and guarding the very long line, much of which is desert, all of it exceedingly hot. They have been called upon to prevent not only the incursion of hostile parties into our own territory, but to receive and disarm considerable numbers of Mexican troops driven into our territory by stress of war. A good part of the time has been spent by the troops in efforts to prevent the passage of munitions of war from entering into Mexican territory. Whilst it was impossible under conditions to accomplish fully the task of preventing the passage of these munitions across the border, great success has attended the efforts to stop the incursion of armed parties and to disarm Mexican troops driven into our territory. First and last, over 5,000 Mexicans driven into our territory were disarmed and held as prisoners until very recently, when they were released and the enlisted men amongst them

returned to their own country. The total approximate cost attending the care and maintenance of these prisoners was over $719,883. The skill and forbearance shown by the officers and men in this arduous frontier service warrants the highest commendation, particularly in view of the fact that in their operations one of our men has been killed and nine wounded by bullets fired from the Mexican side of the border; in addition, a number—about 20—of our citizens have been killed and wounded in like manner. Conditions on the frontier continue to be such as to give little hope of relief coming in the near future to these troops, many of whom have been absent from their permanent stations, living in tents, for over two years.

Late in the month of April, 1914, a situation arose in the coal regions of Colorado which necessitated the dispatch of United States troops to that region. The Eleventh Cavalry, from Fort Oglethorpe, Ga., the second squadron of the Fifth Cavalry, from Fort Leavenworth, and seven troops of the Twelfth Cavalry, from the Central Department, were sent, and have been on duty there ever since. Good order has been preserved by the troops since they have been there, and no overt acts of a serious character have been committed in the regions under their control.

Early in the month of September conditions in Butte, Mont., were of such a character as to render it necessary for the governor to dispatch the militia of that State to the Butte region, and, incident to this state of affairs, a battalion of the Fourteenth Infantry was moved from Fort Wright, Wash., to Fort William Henry Harrison, Mont. Recently it was found necessary to transfer this battalion to Fort Missoula, where it is now temporarily stationed.

Early in November, conditions in the coal regions of Arkansas developed to a state where it was deemed necessary to dispatch troops to that region in support of the United States courts. The first squadron of the Fifth Cavalry was ordered to proceed to Fort Smith, Ark., for duty. These troops are still on duty in the State of Arkansas.

Owing to the pressing necessity for troops for more important duties and with a view to their being better prepared for the purpose for which troops are maintained, early in the year orders were issued relieving the troops to a great extent from the guarding of the national parks, and leaving these parks under the control of the Interior Department. To this end, the troops dispatched to the Yosemite National Park, Cal., were withdrawn; the usual orders for the guards to proceed to the Sequoia and Grant Parks were not issued, and the second squadron of the First Cavalry, with its machine-gun platoon, was relieved from duty in the Yellowstone Park and ordered to join its regiment in California, a military guard consisting of a detachment of about 200 mounted men drawn generally from the Cavalry of the Army being left at the Yellowstone Park to perform the duties heretofore performed by the troops relieved.

Very respectfully,

W. W. WOTHERSPOON,
Major General, Chief of Staff.

The SECRETARY OF WAR.

REPORT OF THE ADJUTANT GENERAL.

WAR DEPARTMENT,
THE ADJUTANT GENERAL'S OFFICE,
August 22, 1914.

SIR: I have the honor to submit this annual report for the fiscal year ended June 30, 1914, relative to the organization and operations of the Army as shown by the reports and correspondence of record in The Adjutant General's Office, and also to the business of that office as a bureau of the War Department.

AUTHORIZED STRENGTH OF THE ARMY.

The strength of the entire military establishment authorized by the President, under the statutory limitation of 100,000 enlisted men, at the close of the fiscal years 1913 and 1914 is shown in the following table:

	1913		1914	
	Officers.	Enlisted men.	Officers.	Enlisted men.
Regulars—staff and line	4,763	84,810	4,754	85,705
Philippine Scouts	180	5,732	182	5,733
Total Army	4,943	90,542	4,936	91,438
Hospital Corps, Medical Department [1]		3,500		5,012
Quartermaster Corps [1]		6,000		6,000
Total military establishment	4,943	100,042	4,936	102,450

[1] Not included in the enlisted strength of the Army.

It will be seen from the foregoing table that there was a net decrease of 9 officers and a net increase of 2,407 enlisted men in the authorized strength of the Regular Army, and an increase of 2 officers and 1 enlisted man in that strength of the Philippine Scouts during the year covered by this report. The decrease of 9 in the number of commissioned officers was the result of the retirement or promotion of "additional officers" who became such under the act approved March 3, 1911 (36 Stat. L., 1058), referred to elsewhere in this report. There was an increase of 12 officers in the Corps of Engineers under the provisions of the act of Congress approved February 27, 1911 (36 Stat. L., 957), but there was also a decrease of 12 in the number of officers of the Medical Reserve Corps assigned to active duty. The increase of 2,407 in the authorized enlisted strength was due mainly to an increase of 1,512 in the strength authorized for the Hospital Corps and to the addition of 882 in the Tenth Infantry (stationed in the Canal Zone) in order to bring that regiment to the statutory maximum. The few other additions resulted from minor changes made from time to time pursuant to orders of the War Department. However, under date of August 7, 1914, the Secretary of War directed that additions to the Hospital Corps by recruiting, by enlistment, and by transfer from the line be discontinued until the strength in that corps is reduced to 4,012 men.

The increase of 2 officers and 1 enlisted man in the authorized strength of the Philippine Scouts resulted from the formation of another battalion of those scouts from existing companies.

The authorized strength of the military establishment on July 1, 1914, by branches of service, is shown in the following table:

Branches of service.	Officers.	Enlisted men.	Aggregate.
General officers	21		21
Adjutant General's Department	23		23
Inspector General's Department	17		17
Judge Advocate General's Department	13		13
Quartermaster Department	183	[1] 403	586
Medical Department	[2] 595		595
Corps of Engineers	236	1,942	2,178
Ordnance Department	85	745	830
Signal Corps	46	1,212	1,258
Bureau of Insular Affairs	3		3
Professors, United States Military Academy	7		7
Chaplains	67		67
Cavalry	809	14,184	14,993
Field Artillery	262	5,513	5,775
Coast Artillery Corps	748	19,019	19,767
Infantry	1,608	34,128	35,736
Porto Rico Regiment of Infantry	31	591	622
United States Military Academy detachments		632	632
Recruiting parties, recruit depots, and unassigned recruits		6,291	6,291
United States Military Prison guards		320	320
Service-school detachments		587	587
With disciplinary organizations		63	63
Indian scouts		75	75
Philippine Scouts	182	5,733	5,915
Total Army	4,936	91,438	96,374
Hospital Corps (Medical Department)[3]		5,012	5,012
Quartermaster Corps (Quartermaster Department)[3]		6,000	6,000
Total military establishment	4,936	102,450	107,386

[1] Quartermaster sergeants.
[2] Includes 91 officers of the Medical Reserve Corps assigned to active duty under the provisions of the act of Congress approved Apr. 23, 1908 (35 Stat. L., 66).
[3] Not included in the enlisted strength of the Army.

ACTUAL STRENGTH OF THE ARMY.

On June 30, 1913, the actual strength of the entire military establishment was 4,665 officers and 81,787 enlisted men in the Regular Army (including enlisted strength of Hospital and Quartermaster Corps) and 180 officers and 5,403 enlisted men in the Philippine Scouts, making a total of 4,845 officers and 87,190 enlisted men.

The table following shows the actual strength of the Army on June 30, 1914, by branches of service.

Branches of service.	Officers.	Enlisted men.	Aggregate.
General officers	20		20
Staff corps and departments	[1] 988	1,913	2,901
Engineers	212	1,677	1,889
Cavalry	810	13,791	14,601
Field Artillery	266	4,992	5,258
Coast Artillery Corps	758	17,901	18,659
Infantry	1,647	30,986	32,633
Miscellaneous		8,255	8,255
Philippine Scouts	182	5,096	5,278
Total Army	4,883	84,611	89,494
Hospital Corps [2]		4,055	4,055
Quartermaster Corps [2]		4,211	4,211
Total military establishment	4,883	92,877	97,760

[1] Includes 91 first lieutenants of the Medical Reserve Corps on active duty.
[2] Not included in the enlisted strength of the Army.

COMPARISON OF AUTHORIZED AND ACTUAL STRENGTH.

The following table shows in convenient form the actual and the authorized strength of the military establishment on June 30, 1914, and June 30, 1913, together with the increases and decreases during the year and the number of vacancies on each of those dates:

	Regular Army.			Philippine Scouts.			Total.		
	Officers.	Enlisted men.	Aggregate.	Officers.	Enlisted men.	Aggregate	Officers.	Enlisted men.	Aggregate.
Authorized strength:									
June 30, 1914	4,754	96,717	101,471	182	5,733	5,915	4,936	102,450	107,386
June 30, 1913	4,763	94,310	99,073	180	5,732	5,912	4,943	100,042	104,985
Increase during year	[1] 9	2,407	2,398	2	1	3	[1] 7	2,408	2,401
Actual strength:									
June 30, 1914	4,701	87,781	92,482	182	5,096	5,278	4,883	92,877	97,760
June 30, 1913	4,665	81,787	86,452	180	5,403	5,583	4,845	87,190	92,035
Increase during year	36	5,994	6,030	2	[1] 307	[1] 305	38	5,687	5,725
Vacancies:									
June 30, 1914	53	8,936	8,989	.....	637	637	53	9,573	9,626
June 30, 1913	98	12,523	12,621	.....	329	329	98	12,852	12,950

[1] Decrease.

It appears from the foregoing table that on June 30, 1914, there were 8,936 vacancies in the authorized enlisted strength of the military establishment (not including the Philippine Scouts), and that on June 30, 1913, there were 12,523 vacancies. These figures, however, are likely to be misleading when considered in connection with the question as to whether or not organizations of the line and the staff departments have their authorized quotas of enlisted men, because the total authorized strength of the Regular Army includes an allowance of approximately 4,770 men on June 30, 1913, and 4,091 men on June 30, 1914, to provide for an accumulation of unassigned recruits in case all the organizations should be filled at any time to their authorized strength. None of this allowance for unassigned recruits should be considered in calculating the number of vacancies. Excluding this allowance from the calculation, it appears that on June 30, 1914, there were approximately 4,845 vacancies in the authorized enlisted strength in addition to 637 vacancies in the Philippine Scouts, as against 7,753 vacancies in the authorized enlisted strength and 329 vacancies in the Philippine Scouts on June 30, 1913.

PHILIPPINE SCOUTS.

The only change made in the organization and authorized strength of the Philippine Scouts during the fiscal year was the formation of the 4 independent companies into a battalion under orders issued from the War Department April 4, 1914. The scouts are organized into 13 battalions of 4 companies each, a total of 52 companies of enlisted natives of the Philippine Islands with a total authorized strength of 182 officers and 5,733 enlisted men—an increase of 2 officers and 1 enlisted man during the fiscal year.

GEOGRAPHICAL DISTRIBUTION OF TROOPS.

The geographical distribution of the Army on June 30, 1914, is shown in the following table:

Geographical distribution.	Officers.	Enlisted men.	Aggregate.
In the United States	3,361	61,218	64,579
In Alaska	45	817	862
In the Philippine Islands:			
Regular Army	488	9,084	9,572
Philippine Scouts	182	5,096	5,278
In China	43	806	849
In Porto Rico	36	671	707
In Hawaii	315	7,880	8,195
In the Isthmian Canal Zone	67	2,112	2,179
In Mexico	248	3,842	4,090
Troops en route and officers at other foreign stations	98	1,351	1,449
Total	[1] 4,883	92,877	97,760

[1] Includes 91 first lieutenants of the Medical Reserve Corps on active duty.

GEOGRAPHICAL DEPARTMENTS.

There was no change during the past fiscal year in the constitution of the geographical departments established for purposes of military administration. A statement showing the territory embraced in the several geographical departments was printed in the last annual report.

In April, 1914, the District of Luzon and the District of Mindanao, which previously were subdivisions of the Philippine Department, were discontinued pursuant to orders issued from the War Department.

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SECOND LIEUTENANTS APPOINTED.

During the year ended June 30, 1914, 139 second lieutenants were appointed to the Army. The following table shows the sources from which the appointments were made and the corps or arms of the service to which the appointees were assigned:

Source from which appointed.	Assigned to—					
	Engineers.	Cavalry.	Coast Artillery Corps.	Field Artillery.	Infantry.	Total.
United States Military Academy	15	21	20	7	43	106
Enlisted men, United States Army	.....	8	2	1	2	13
Civil life	.....	14	3	3	.....	20
Total	15	43	25	11	45	139

Of the 20 appointed from civil life shown in the preceding table, 6 were graduates of the United States Naval Academy. Of the latter, 3 were assigned to the Coast Artillery Corps and 3 to the Field Artillery arm.

Of the appointments from the Military Academy, 30 were appointed additional second lieutenants, under authority of "An act regulating the promotion of graduates of the United States Military Academy," approved May 17, 1886 (24 Stat. L., 50), for the reason that the number of graduates was 30 in excess of the number of available vacancies in the grade of second lieutenant. They were distributed as follows: Two to the Cavalry arm, 5 to the Field Artillery arm, 13 to the Coast Artillery Corps, and 10 to the Infantry arm.

On June 30, 1914, there remained of these additional second lieutenants 1 in the Cavalry arm, 3 in the Field Artillery arm, 10 in the Coast Artillery Corps, and 8 in the Infantry arm, the others having been assigned to fill vacancies occurring since the assignment of their graduating class.

COMMISSIONED OFFICERS IN ACTIVE SERVICE.

On June 30, 1914, there were 4,701 commissioned officers on the active list of the Army. Of these, 1,220 (including 64 chaplains) were general officers or officers of the staff corps and departments, 810 belonged to the Cavalry, 266 to the Field Artillery, 758 to the Coast Artillery Corps, and 1,647 to the Infantry.

Of the 1,220 general and staff officers, 1,094 were present for duty, 35 on leave, 7 absent sick, and 84, including officers detailed on the General Staff, on detached duty. Of the 3,481 line officers, 2,770 were present for duty, 86 on leave, 45 absent sick, 578 on detached duty, and 2 in arrest.

From the foregoing it appears that 20.43 per cent of the line officers and 10.33 per cent of the general and staff officers were absent from their commands. At the close of the preceding fiscal year 23.88 per cent of the line officers and 13.20 per cent of the general and staff officers were so absent.

In addition to the officers on the active list, there were 102 retired officers under assignment to active duty on June 30, 1914, as is more fully shown elsewhere in this report.

ADDITIONAL OFFICERS.

The Army appropriation act, approved March 3, 1911 (36 Stat. L., 1058), provides that every line officer on the active list below the grade of colonel who has lost in lineal rank through the system of regimental promotion in force prior to October 1, 1890, may, in the discretion of the President, and subject to examination for promotion as prescribed by law, be advanced to higher grades in his arm up to and including the grade of colonel, in accordance with the rank he would have been entitled to hold had promotion been lineal throughout the arm or corps to which he permanently belongs. It is also provided that officers advanced to higher grades under the law cited shall be "additional officers" in those grades.

At the close of the fiscal year there had been 71 advancements in grade (46 to the grade of colonel and 25 to that of lieutenant colonel) under the act of March 3, 1911, before cited. The following table shows the grades to which, and the arms in which, those advancements were made:

Arms of service.	From lieutenant colonel to colonel.	From major to lieutenant colonel.	Total.
Cavalry	17	14	31
Field Artillery	2		2
Coast Artillery Corps	6	2	8
Infantry	21	9	30
Total	46	25	71

Of the 71 advancements shown in the foregoing table, 30 were advancements in the cases of 15 officers who were advanced to the grade of lieutenant colonel, and subsequently to that of colonel;

16 of the officers advanced were retired from active service prior to June 30, 1914; 2 died; 5 were promoted lineally and ceased to be "additional officers"; and 3 were appointed brigadier generals, leaving 30 additional officers in the service June 30, 1914. Of these, 12 were in the Cavalry arm, 1 in the Field Artillery arm, 3 in the Coast Artillery Corps, and 14 in the Infantry arm.

All of the officers advanced in grade had already reached the grade of major. The 25 majors advanced to be additional lieutenant colonels left a like number of vacancies in the grade of major, which caused the promotion to the next higher grade of the same number of captains, first lieutenants, and second lieutenants. Of the 46 lieutenant colonels advanced, 31 left vacancies in the grade of lieutenant colonel, and caused the promotion to the next higher grade of the same number of majors, captains, first lieutenants, and second lieutenants. The 15 additional lieutenant colonels who were advanced to be additional colonels did not leave any vacancies in the grade of lieutenant colonel.

OFFICERS ON DETACHED SERVICE.

The number of officers absent from their commands on detached service was slightly below that of the previous year. On June 30, 1913, there were 8.39 per cent of the general officers and officers of the staff corps and departments and 18.81 per cent of the line officers on detached service. On June 30, 1914, those percentages were 6.89 for general and staff officers and 16.60 for officers of the line. Officers detailed on the General Staff are included in those percentages.

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RETIRED OFFICERS ON ACTIVE DUTY.

On June 30, 1914, there were 102 retired officers under assignment to active duty. The following table shows the grades and employment of those officers:

Duty.	Lieutenant general.	Colonel.	Lieutenant colonel.	Major.	Captain.	First lieutenant.	Second lieutenant.	Total.
At the Soldiers' Home	1	1		1				3
On recruiting service		1	6	6	18	5		36
With State militia		3	2	5	8	1		19
At Army Service Schools, Fort Leavenworth, Kans.			1					1
At Army War College		1						1
In charge of Indian prisoners				1				1
On college duty		1		7	17	6	1	32
Military attaché				1				1
Doorkeeper to President				1				1
Acting quartermaster				1	2	2		5
Assistant sanitary officer					1			1
Office Chief of Staff				1				1
Total	1	7	9	24	46	14	1	102

Of the retired officers on duty, as shown in the foregoing table, 1 lieutenant general, 1 colonel, and 1 major (all at the United States Soldiers' Home in this city) receive from the United States only the retired pay of their respective grades; 6 colonels and 9 lieutenant colonels receive the pay and allowances that a retired major would receive under a like assignment; and 23 majors, 46 captains, 14 first lieutenants, and 1 second lieutenant receive the active pay and allowances of their respective grades.

OFFICERS EXAMINED FOR PROMOTION.

During the fiscal year 119 officers of the Army were examined and 6 were reexamined for promotion.

Of the 119 officers examined, 111 were found qualified, 1 was found professionally disqualified and will be suspended from promotion when a vacancy occurs after the close of the fiscal year, and 3 were honorably discharged under the provisions of the act of Congress approved April 23, 1908 (35 Stat. L., 66). Two officers examined were found physically disqualified and are to be retired when entitled to promotion, and 2 officers who were found temporarily physically disqualified will be reexamined before promotion.

Of the 6 officers who were reexamined, 5 were found qualified and 1 was found physically disqualified and was retired.

One officer promoted during the fiscal year 1913 subject to examination was examined in the fiscal year 1914 and found qualified, and 1 officer was promoted, subject to examination, in the fiscal year 1914.

One officer who was examined in 1912, and whose period of suspension began in 1913, was reexamined in 1914 and found qualified; 1 officer who was examined in 1913 and found professionally disqualified was retired upon the finding of a retiring board, and 2 officers who were examined in 1913 and found professionally disqualified were suspended for periods which began in 1914.

RETIRED OFFICERS.

On June 30, 1913, there were 1,030 commissioned officers on the retired list. During the fiscal year ended June 30, 1914, 49 officers were placed on the retired list, and 47 of those on that list died, leaving 1,032 officers of the Army on the retired list June 30, 1914. The table following shows the grades of the officers on the retired list and causes of retirement of those officers.

Grades.	By operation of law, 64 years of age (act of June 30, 1882).	After reaching 62 years of age (sec. 1244, R. S.).	On own application.		For disability.				After failure to pass second professional examination (act of Mar. 3, 1909).	Under special acts of Congress.	Total.
			After over 40 years' service (act of June 30, 1882).	After over 30 years' service (sec. 1243, R. S.).	In line of duty.						
					Section 1251, Revised Statutes.	With increased rank (acts of Oct. 1, 1890, Apr. 23, 1908, and Mar. 3, 1909).	With full rank of command when wounded (act of July 28, 1866).	Not in line of duty (sec. 1252, R. S.).			
Lieutenant general	2		2								4
Major general	13		6	1							20
Brigadier general	84	11	81	23	19		2			2	222
Colonel	50	5	27	39	30		1				152
Lieutenant colonel	21		6	33	23	16				1	100
Major	10			46	86	45	2	1	3	2	195
Captain	5			14	119	45		3		6	192
First lieutenant	1				69	21		3		1	95
Second lieutenant					21			1		2	24
Chaplain:											
Lieutenant colonel	3										3
Major	5				11						16
Captain	5				3						8
First lieutenant					1						1
Total	199	16	122	156	382	127	5	8	3	14	1,032

Of the 5 officers who were retired under section 32 of the act of Congress approved July 28, 1866 (14 Stat. L., 337), on account of disability occasioned by wounds received in battle, with the full rank of the command held by them at the time such wounds were received, 2 were advanced three grades, 1 two grades, and 2 one grade. All of them, with the exception of 1 brigadier general, received a further advancement of one grade under the act of Congress approved April 23, 1904 (33 Stat. L., 264). In addition to these, 77 brigadier generals, 15 colonels, 39 lieutenant colonels, 68 majors, 19 captains, and 3 first lieutenants hold their present grades on the retired list through an advancement of one grade under the act of Congress approved April 23, 1904, making a total of 225 officers on the retired list June 30, 1914, who have been advanced one grade under that act because of service during the Civil War.

The table following shows, by grades, the number of officers of the Army retired from active service during the fiscal year ended June 30, 1914, and the causes of their retirement.

Grades.	By operation of law, 64 years of age (act of June 30, 1882).	After reaching 62 years of age (sec. 1244, R. S.).	On own application.		For disability.			Under special acts of Congress.	Total.
			After over 40 years' service (act of June 30, 1882).	After over 30 years' service (sec. 1243, R. S.).	Incident to the service (sec. 1251, R. S.).	Not incident to the service (sec. 1252, R. S.).	Preventing promotion (acts of Oct. 1, 1890, and Apr. 23, 1908).		
Brigadier general	2		3						5
Colonel	5	2	2	3	11				23
Lieutenant colonel					3				3
Major					2	1	1		4
Captain					7		2	1	10
First lieutenant					1	1	1		3
Chaplain (captain)	1								1
Total	8	2	5	3	24	2	4	1	49

From the foregoing table it will be seen that 49 officers of the Army were placed on the retired list during the fiscal year ended June 30, 1914. During the preceding year 73 officers were placed on that list.

COMMISSIONED OFFICERS WHO HAD CIVIL WAR SERVICE.

The official records show that of the 4,701 commissioned officers on the active list of the Regular Army June 30, 1914, only one, Col. John L. Clem, Quartermaster Corps, served in the Army, Navy, or Marine Corps during the Civil War otherwise than as a cadet prior to April 9, 1865.

There were 1,032 officers of the Army on the retired list June 30, 1914. Of these, 390 served in the Army, Navy, or Marine Corps otherwise than as cadets prior to April 9, 1865. The table following shows, by grades, the number of officers on the retired list of the Army June 30, 1914, and the number of those officers that had Civil War service otherwise than as cadets prior to April 9, 1865.

Grades.	Officers on the retired list June 30, 1914.		
	Total.	Civil War service.	No Civil War service.
Lieutenant general	4	4	.....
Major general	20	18	2
Brigadier general	222	183	39
Colonel	152	23	129
Lieutenant colonel	100	43	57
Major	195	74	121
Captain	192	28	164
First lieutenant	95	5	90
Second lieutenant	24	.....	24
Chaplain:			
Lieutenant colonel	3	3	.....
Major	16	9	7
Captain	8	.....	8
First lieutenant	1	.....	1
Total	1,032	390	642

It will be seen from the foregoing table that less than 38 per cent of the officers of the Army on the retired list June 30, 1914, served as officers or enlisted men of the Army, Navy, or Marine Corps during the Civil War. On June 30, 1913, over 40 per cent of the officers of the Army on that list had Civil War service.

RETIRED ENLISTED MEN.

On July 1, 1913, there were 3,589 enlisted men on the retired list created by the provisions of the act of Congress approved February 14, 1885 (23 Stat. L., 305), modified by the acts of Congress approved September 30, 1890 (26 Stat. L., 504), March 2, 1907 (34 Stat. L., 1218), and August 24, 1912 (37 Stat. L., 575).

During the fiscal year 389 enlisted men were placed on the retired list and 180 of the men on that list died, leaving 3,798 enlisted men on the retired list at the close of the year, June 30, 1914.

PERSONS QUALIFIED TO HOLD VOLUNTEER COMMISSIONS.

Certificates were issued during the past fiscal year, under the provisions of section 23 of the act of Congress approved January 21, 1903 (32 Stat. L., 779), in the cases of 56 persons who were found upon examination by boards of officers convened for that purpose to be "specially qualified to hold commissions in any volunteer force which may hereafter be called for and organized under the authority of Congress, other than a force composed of organized militia." Of these, 7 were from New York, 3 each from the District of Columbia and Pennsylvania, 2 each from Massachusetts and Washington, 1 each from Illinois, Texas, and Florida, and 36 were noncommissioned officers of the Army.

Revised regulations for carrying into effect the provisions of section 23 of the act cited above are published in War Department General Orders, No. 54, of July 8, 1914.

OFFICERS OF THE ARMY DETAILED AT CIVIL EDUCATIONAL INSTITUTIONS.

The laws and regulations governing the detail of officers to civil educational institutions as professors of military science and tactics are published in General Orders, No. 70, War Department, November 18, 1913. Under those laws and regulations 86 officers (56 on the active list and 30 on the retired list) were serving as professors of military science and tactics on June 30, 1913. On June 30, 1914, 86 officers (54 on the active list and 32 on the retired list) were thus on duty.

As a result of the annual inspection of the military departments of educational institutions at which officers of the Army are detailed as professors of military science and tactics, the following-named institutions, arranged alphabetically, were announced in orders dated June 12, 1914, as the 10 "distinguished colleges" and the 10 "honor schools" whose students have exhibited the greatest degree of military training as compared with others of their class.

DISTINGUISHED COLLEGES.

University of California, Berkeley, Cal.
Cornell University, Ithaca, N. Y.
University of Illinois, Urbana, Ill.
Kansas State Agricultural College, Manhattan, Kans.
University of Minnesota, Minneapolis, Minn.
University of Missouri, Columbia, Mo.
Norwich University, Northfield, Vt.
The Citadel, Charleston, S. C.
Agricultural and Mechanical College of Texas, College Station, Tex.
Virginia Military Institute, Lexington, Va.

HONOR SCHOOLS.

Culver Military Academy, Culver, Ind.
Kemper Military School, Boonville, Mo.
Kentucky Military Institute, Lyndon, Ky.
New Mexico Military Institute, Roswell, N. Mex.
New York Military Academy, Cornwall-on-Hudson, N. Y.
St. John's Military Academy, Delafield, Wis.
St. John's School, Manlius, N. Y.
Shattuck School, Faribault, Minn.
Wentworth Military Academy, Lexington, Mo.
Western Military Academy, Alton, Ill.

The following-named institutions were also announced as having been especially commended for the steady progress and improvement in the work of their military departments during the past year:

UNIVERSITIES AND COLLEGES.

University of Arizona, Tucson, Ariz.
University of Arkansas, Fayetteville, Ark.
Clemson Agricultural College, Clemson College, S. C.
Georgia Military College, Milledgeville, Ga.
North Georgia Agricultural College, Dahlonega, Ga.
State University of Iowa, Iowa City, Iowa.
State University, Lexington, Ky.
Maryland Agricultural College, College Park, Md.
University of Nevada, Reno, Nev.
Oklahoma Agricultural College, Stillwater, Okla.
St. John's College, Annapolis, Md.
University of Vermont and State Agricultural College, Burlington, Vt.
University of Washington, Seattle, Wash.
State College of Washington, Pullman, Wash.

MILITARY SCHOOLS.

College of St. Thomas, St. Paul, Minn.
Agricultural School of the University of Nebraska, Lincoln, Nebr.
Georgia Military Academy, College Park, Ga.
Riverside Military Academy, Gainesville, Ga.
Tennessee Military Institute, Sweetwater, Tenn.

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The losses in the Army during the year ended June 30, 1914, are summarized in the following statement:

REGULAR ARMY.

Officers:		
Died of disease, etc	24	
Resigned or discharged	47	
Dismissed	7	
Retired	49	
Deserted	1	
		128
Enlisted men:		
Died of disease, etc	414	
Discharged upon expiration of term of service	25,027	
Discharged for disability, by sentence of court-martial, or by order	7,796	
Deserted	3,882	
Retired	395	
		37,514
Aggregate		37,642

PHILIPPINE SCOUTS.

Officers:		
Died of wounds received in action	1	
Died of disease, etc	3	
Resigned or discharged	6	
Dismissed	2	
		12
Enlisted men:		
Killed in action	8	
Died of wounds received in action	2	
Died of disease, etc	13	
Discharged upon expiration of term of service	3,813	
Discharged for disability, by sentence of court-martial, or by order	88	
Deserted	7	
		3,931
Aggregate		3,943

Wounded, 1 officer and 18 enlisted men.

AGGREGATE.

Officers:		
Died of wounds received in action	1	
Died of disease, etc	27	
Resigned or discharged	53	
Dismissed	9	
Retired	49	
Deserted	1	
		140
Enlisted men:		
Killed in action	8	
Died of wounds received in action	2	
Died of disease, etc	427	
Discharged upon expiration of term of service	28,840	
Discharged for disability, by sentence of court-martial, or by order	7,884	
Deserted	3,889	
Retired	395	
		41,445
Aggregate		41,585

Wounded, 1 officer and 18 enlisted men.

It appears from the foregoing table that 25,627 enlisted men of the Regular Army were discharged upon expiration of term of service during the fiscal year ended June 30, 1914. During the preceding fiscal year the number of discharges upon expiration of term of service was 12,095, and during the fiscal year 1912 it was 21,187. These numbers are, respectively, 20, 11.3, and 18.6 per cent of the whole number of enlisted men in service or of enlistment contracts in force during each of those years.

The losses from all causes other than expiration of term of service among enlisted men of the Regular Army during the fiscal year ended June 30, 1914, numbered 12,487. During the preceding fiscal year those losses were 13,254, and during the fiscal year 1912 they were 11,252. Those numbers are, respectively, 9.97, 12.4, and 9.9 per cent of the whole number of enlistment contracts in force during each of those years.

DESERTIONS.

As shown by the official returns, the number of desertions from the Army during the fiscal year ended June 30, 1914, aggregated 3,882, which is 3.10 per cent of the whole number of enlistment contracts in force during the year. The number of desertions during the past year is 569 less than the number during the year 1913, but is 471 greater than the number in 1912.

Of the cases of reported desertion during the year, the charge was declared erroneous in 228, 1 man was tried and acquitted of the charge, and 581 were tried and found guilty of the lesser offense of absence without leave, making a total of 810 cases improperly classed as desertions. If this number is deducted from the 3,882 desertions shown on the returns, there remain but 3,072 cases, or 2.45 per cent, of actual desertions of enlisted men from the Army during the year. Because of the relatively small changes that would result, and because of the extended examination of records that would be necessary to ascertain the branches of service to which the 810 men erroneously reported as deserters belonged, and the periods during which their reported desertions occurred, those cases have not been excluded in calculating the percentages shown in the tables in this report relative to desertions.

A comparison of the percentages of desertions in each of the past 20 years is shown in the following table:

Fiscal years.	Percentage deserted.	Fiscal years.	Percentage deserted.
1914	3.10	1904	6.61
1913	4.15	1903	7.10
1912	3.00	1902	5.00
1911	2.28	1901	4.12
1910	3.66	1900	4.09
1909	4.97	1899	3.22
1908	4.59	1898	1.57
1907	5.62	1897	3.13
1906	7.43	1896	4.03
1905	6.79	1895	3.42

The following table shows the percentages of the whole number of desertions occurring in each of the several specified periods of service during the last three years:

Period of service in which desertion took place.	Percentage of the whole number of desertions.		
	Year ended June 30, 1914.	Year ended June 30, 1913.	Year ended June 30, 1912.
First 3 months of service	18	14	15
Second 3 months of service	19	15	16
Third 3 months of service	14	13	16
Fourth 3 months of service	7	11	11
First year of service	58	53	58
Second year of service	18	17	13
Third year of service	5	6	3
First enlistment	81	76	74
Second enlistment	13	16	19
Third enlistment	3	4	4
Fourth enlistment and subsequent enlistments	3	4	3
Total	100	100	100

The percentages of desertions by branches of service during the fiscal years 1909–1914 are shown in the following table:

Branches of service.	Percentages.					
	1914	1913	1912	1911	1910	1909
Field Artillery	5.20	6.11	4.07	2.93	4.72	7.03
Cavalry	3.48	4.53	2.95	1.92	2.97	4.76
Coast Artillery Corps	3.48	4.19	3.38	2.42	4.30	5.50
Hospital Corps	3.34	4.24	3.03	3.10	3.15	4.18
Engineers	2.94	4.68	4.26	3.09	3.12	5.53
Infantry	2.49	3.95	2.37	1.85	2.99	4.26
All others, including unassigned recruits	2.68	3.18	3.32	2.85	5.21	5.48
The Army	3.10	4.15	3.00	2.28	3.66	4.97

The foregoing statement shows a decrease in the percentage of desertions during the past fiscal year over the year 1913 in every branch of the service.

As in the preceding reports, the percentages of desertions hereinbefore shown are based on the whole number of enlisted men who were in service at any time during the year and not on an average enlisted strength. All the losses during the year are included in the basic figures used, and those figures represent the whole number of enlisted men who might have become deserters or the whole number of enlistment contracts that might have been terminated by desertion at some time during the year. It is clearly improper to use as a basis for calculating the percentages of desertions a strength obtained by averaging the number of men in service at the end of each month of the year—a number that does not include the men who went out of service during the year, and even does not include the deserters themselves. If, however, the average enlisted strength is used as a basis, it is found that the number of desertions from the enlisted force of the Army during the year ended June 30, 1914, was 4.55 per cent of the strength as against 5.48 per cent during the preceding fiscal year, 4.43 during the year 1912, and 3.49 during the year 1911.

An examination of the returns for the fiscal year ended June 30, 1914, was made for the purpose of ascertaining what organizations serving within the continental limits of the United States had the lowest and highest relative number of desertions. It should be borne in mind that in the following paragraphs, showing the results of that examination, the organizations that served a part or the whole of the year in Hawaii, Alaska, the Canal Zone, China, and the Philippine Islands are not taken into consideration, because in those regions it is unusually difficult for a deserter to make good his escape from military control, and consequently the number of desertions that occur there are so small as to be of no importance for the purposes of this report.

The regiments serving in the United States that had the lowest percentages of desertions during the year were the Tenth Cavalry, Ninth Cavalry, and Seventh Infantry, the Cavalry regiments being colored and the Infantry regiment a white organization. The desertions from those regiments were 1.42, 1.49, and 1.68 per cent, respectively, of the whole number of enlisted men in service, or enlistment contracts in force, in those regiments. The Tenth Cavalry was one of the two regiments having the lowest percentage of desertions during the years 1910, 1911, 1912, and 1913, the percentages for those years, respectively, being 1.52, 0.78, 1.52, and 1.99. The Ninth Cavalry had the second lowest percentage of desertions during the preceding fiscal year, the percentage for that year being 2.43. During the past fiscal year the Third Field Artillery had the lowest percentage of desertions of any regiment of that arm serving in the United States, the desertions from that regiment being 5.19 per cent of the whole number of enlisted men serving in that regiment during that year.

The regiments with the highest percentages of desertions were the Fifth Field Artillery, Twelfth Cavalry, and Twenty-ninth Infantry, the percentages of desertions from those organizations being 10.04, 7.22, and 6.89, respectively.

Of the white troops 3.23 per cent and of the colored troops 0.64 per cent were reported as deserters, as compared with 3.10 per cent for the whole Army. There was a decrease in the percentage of desertions among colored troops, as compared with the preceding year, of 0.59 per cent, and a decrease among white troops of 1.10 per cent.

The following table shows for each month of the fiscal years 1912, 1913, and 1914 the percentages of the total number of desertions occurring during each of those years:

Months.	Fiscal years.			Months.	Fiscal years.		
	1914	1913	1912		1914	1913	1912
July	9.70	8.97	8.65	February	6.02	4.45	5.63
August	10.52	8.29	8.68	March	8.96	7.32	6.89
September	8.17	13.88	8.09	April	9.20	10.36	10.82
October	8.56	9.82	7.27	May	9.31	9.61	12.87
November	6.73	7.19	6.16	June	11.48	8.99	14.65
December	5.70	6.00	5.83				
January	5.65	5.12	4.46	Total	100.00	100.00	100.00

That nationality is not an important factor in considering the subject of desertions from the Army was again emphasized by the fact

that during the past fiscal year the ratio of foreign-born deserters to the whole number of deserters was approximately the same as the ratio of foreign-born men who have enlisted in the Army during the past three years to the total number of enlistments during that period.

Reports of return of deserters to military control during the fiscal year ended June 30, 1914, were received in 2,556 cases, not including 89 cases in which the deserters were found to be not amenable to trial because of the statute of limitations. Of the 2,556 deserters returned to military control during the year, 971, or 37.99 per cent, surrendered themselves, and 1,585, or 62.01 per cent, were apprehended. Of the latter number, 746 were apprehended by the municipal police, 311 by sheriffs or other county officers, 190 by private detectives and detective agencies, 212 by the military authorities, including those identified by finger-print records in The Adjutant General's Office, 32 by the naval authorities, 24 by civilians (not civil officers), 21 by United States marshals and their deputies, 18 by railroad police, 18 by State detectives and other State officers, 5 by immigration officers, 5 by officers in charge of penal institutions, and 3 by Mexican Constitutionalists. Of the total number of deserters apprehended during the year, 47.1 per cent were apprehended by the municipal police, 19.6 per cent by county officers, 13.4 per cent by the military authorities, and 12 per cent by private detectives and detective agencies.

The disposition of the 2,556 men returned to military control during the year is shown in the following table:

Disposed of without trial:		
Charge removed as erroneous under paragraph 131, Army Regulations	228	
Restored to duty	8	
Discharged without honor	5	
Discharged on surgeon's certificate of disability	1	
Escaped from confinement while awaiting trial	11	
Died	1	
		254
Tried by court-martial:		
Acquitted	1	
Convicted of absence without leave—		
Not sentenced to discharge	440	
Dishonorably discharged	123	
Sentence of dishonorable discharge mitigated by reviewing authority	17	
Sentence of dishonorable discharge disapproved by reviewing authority	1	
Convicted of desertion—		
Not sentenced to discharge	1	
Sentence of dishonorable discharge mitigated by reviewing authority	63	
Sentence of dishonorable discharge disapproved by reviewing authority	11	
Dishonorably discharged and confined	1,279	
		1,936
Reports of results of trial not yet received		366
Total		2,556

It will be seen from the foregoing table that of the men tried by general court-martial on the charge of desertion 534 were retained in service and 1,402 were dishonorably discharged. The lengths of

the sentences of confinement, as approved, in cases of men held to service are shown in the following table:

Less than 1 month	29
1 to 3 months	188
4 to 6 months	246
7 to 12 months	10
More than 1 year	2
	475
No sentence of confinement	59
Total	534

The lengths of sentences of confinement, as approved, in cases of men dishonorably discharged are shown in the following table:

Less than 3 months	14	
3 to 6 months	207	
7 to 12 months	71	
Less than 1 year		292
1 year		478
1½ years		370
2 years		155
2½ years		48
3 years		25
3½ years		2
4 years and over		16
		1,386
No sentence of confinement		16
Total		1,402

Of the 534 cases in which the deserters were tried and retained in service, 68, or 12.7 per cent, have again deserted, 14 have been dishonorably discharged, and 4 have been discharged without honor, making a total of 86, or 16.1 per cent, of the whole number who have deserted again or have had their services terminated otherwise than honorably during the short time that has elapsed since their trials.

* * * * * * *

THE MILITARY ACADEMY.

On July 31, 1914, there were under assignment to duty at the United States Military Academy 106 commissioned officers (including 7 professors, 2 acting professors, and 2 associate professors), 1 librarian, 1 master of the sword, 1 teacher of music, 4 civilian instructors in languages, and 2 civilians employed as instructors in fencing, broadsword exercise, and military gymnastics, a total of 115. This is a decrease of 10 since September 1, 1913, the date of the superintendent's report for that year.

On September 1, 1913, there were 613 cadets on the rolls, including 2 foreign cadets, 1 of whom was from Nicaragua and 1 from China. Between September 1, 1913, and August 22, 1914, 42 cadets were discharged for deficiency in studies or in conduct; 1 was dismissed by sentence of court-martial; 8 resigned; 1 foreign cadet, from Nicaragua, was dropped from the rolls as withdrawn by his Government; and 107, including 1 Filipino, were graduated. In September, 1913, 2 cadets were admitted, including 1 ex-cadet reappointed

under joint resolution of Congress approved September 3, 1913; in June, 1914, 174 cadets, including 2 Filipinos, were admitted; 32, including 1 ex-cadet reappointed by the President under the act of Congress approved May 16, 1914, were admitted in July, 1914, and 2 were admitted in August, 1914, prior to the date of this report.

On August 22, 1914, there were 664 cadets on the rolls, including 1 foreign cadet from China. Those cadets were divided among the four classes as follows: First class, 168; second class, 126; third class, 162; and fourth class, 208.

The usual examination of candidates for admission to the Military Academy was held at various military posts beginning March 31, 1914. An additional examination was held May 26, 1914, with a view to fill the 102 vacancies that existed after the regular examination. As a result of this additional examination, 30 of the 129 candidates designated were found qualified, 6 had already qualified at the March examination, 33 were admitted, and the remaining 3 qualified candidates were alternates for whom there were no vacancies. Including principals and alternates, 741 candidates were designated for the two examinations. Of that number, 6 had already qualified, as noted above, 140 failed to report, 15 declined appointment, declined to take examination, or their appointments were canceled before examination, 329 were rejected upon mental or physical examination or upon both, 1 qualified both mentally and physically but was not allowed to be admitted because detected at cribbing, 1 qualified candidate failed to report for admission, and 3 qualified for admission in 1915 subject to reappointment and physical examination. There were no vacancies for 47 alternates and 4 candidates at large who qualified. The remaining 195 candidates were found qualified, and, with 10 qualified alternates and at-large candidates who received new appointments, making a total of 205, were admitted to the academy prior to the date of this report as a result of the two examinations. Two Filipino cadets were also admitted in June. Five ex-cadets, reappointed on the recommendation of the Academic Board, are to be admitted on August 29, 1914.

The acceptance of scholastic certificates in lieu of mental examination of candidates for admission to the Military Academy was authorized in General Orders, No. 3, War Department, January 23, 1914, superseded by General Orders, No. 38, War Department, May 22, 1914. Under those orders a candidate, other than one designated from the United States at large, may be excused from the mental examination for admission, provided he presents (*a*) a satisfactory certificate that he is a regularly enrolled student in good standing without condition in any university, college, or technological school accredited by the United States Military Academy; (*b*) a satisfactory certificate of graduation from a preparatory school or public high school, or (*c*) a satisfactory certificate from the College Entrance Examination Board that he has passed 14 units of its examinations.

Certificates received under the provisions of General Orders, No. 3, before cited, were submitted to the Academic Board at West Point for its action.

The results of the admission of cadets on certificates, whether beneficial or detrimental to the standards of the Military Academy, can not be determined until the cadets who have been admitted this year

shall have spent some time at the academy and their capabilities have been tested. It is to be noted, however, that 133 of the 207 cadets admitted were accepted on certificates. Of the 292 certificates submitted by candidates with a view to their acceptance in lieu of the mental examination at either the March-April or the May examination, 221 were accepted as satisfactory and 71 were rejected.

The table following shows the success or failure of the principal and of the alternate candidates who were exempted by certificates from the mental examination.

	March-April examination.		May examination.	
	Principals.	Alternates.	Principals.	Alternates.
Candidates whose certificates were accepted	111	84	16	10
Candidates admitted	92	23	13	5
Alternates, qualified, for whom there were no vacancies		33		3
Candidates rejected by medical boards	18	23	3	2
Candidates who failed to report for physical examination	1	5		

Information concerning the operation of the several academic departments, the rebuilding and enlarging of the Military Academy, the discipline of the Corps of Cadets, and other matters of interest are to be found in the Annual Report of the Superintendent of the United States Military Academy. As it is customary to print that report with the other reports of the War Department, further reference to those subjects is omitted from this report.

RECRUITING FOR THE ARMY.

At the beginning of the fiscal year 1914 there were 144 officers on general recruiting detail, and at the end of that year there were 129. Included in the latter number are 35 retired officers detailed on active duty under existing law, 68 officers regularly on duty at general recruit depots, and 1 officer engaged in the preparation of moving-picture films for use in connection with the recruiting service.

At the beginning of the fiscal year there were 145 central recruiting stations, and at the close of the year there were 161. Of the latter number, 54 were main stations, each in charge of a recruiting officer, and the remainder were stations auxiliary to the main stations. In three recruiting districts additional officers were assigned to assist the recruiting officer in charge, New York City having 4 and Chicago and San Francisco having 1 each of such additional officers. Supplementary to the main and central auxiliary stations, temporary stations were opened from time to time in order to canvass more thoroughly the territory embraced in the various recruiting districts into which the United States is divided.

During the fiscal year 1913 the largest number of stations of all kinds, main, auxiliary, and temporary, maintained in any one month was 312, and the smallest number was 252. Within the fiscal year ended June 30, 1914, the corresponding numbers were 272 and 245, respectively. In this connection it may be remarked that

within the past year the average number of stations maintained was materially reduced with consequent reduction of expenses. The results achieved, as shown in other parts of this report, were due to the increased activity in canvassing by recruiting parties.

The practice, adopted several years since, of sending applicants for enlistment accepted at recruiting stations to recruit depots for physical examination and enlistment was continued throughout the past fiscal year.

Included under the term "reenlistments" in this report are those men who again enlist within three months of the termination of their prior service, and are thereby entitled to three months' additional pay under the law; while under the term "enlistments" are included raw recruits and also those men who having had former service did not again enlist within three months.

Enlistments and reenlistments for the Army within the fiscal year 1914 numbered 45,431, including 39,245 for the line of the Army, 985 for the Hospital Corps, 763 for the Quartermaster Corps, 878 for other staff departments, and 3,560 for the Philippine Scouts. There were 31,082 (3,163 with former service) enlistments, of which 28,559 (2,743 with former service) were for the line of the Army, 386 (104 with former service) for the Hospital Corps, 183 (92 with former service) for the Quartermaster Corps, 236 (67 with former service) for other staff departments, and 1,718 (157 with former service) for the Philippine Scouts. The reenlistments for the line of the Army were 16,686, for the Hospital Corps 599, for the Quartermaster Corps 580, for other staff departments 642, and for the Philippine Scouts 1,842, or in all 14,349.

With only few exceptions, the authorized plan of furnishing recruits to organizations semiannually was adhered to during the fiscal year covered by this report.

The number of applicants accepted or rejected in each recruiting district, and the number of applicants so accepted but afterwards rejected at recruiting depots, are shown in the following table:

Recruiting districts.	Number of applicants accepted.	Number of applicants rejected.	Total number of applicants.	Applicants accepted at stations and subsequently rejected at depots and depot posts.
Albany, N. Y.	347	1,235	1,582	34
Atlanta, Ga.	1,155	2,451	3,606	166
Baltimore, Md.	479	2,252	2,731	43
Boston, Mass.	610	3,582	4,192	45
Buffalo, N. Y.	675	3,007	3,682	79
Charlotte, N. C.	1,072	4,128	5,200	188
Chicago, Ill.:				
505 South State Street	4,650	11,808	16,458	715
601 West Madison St.[1]				
905 South State Street.[2]				
Cincinnati, Ohio	809	1,814	2,623	98
Cleveland, Ohio	1,260	1,817	3,077	183
Columbus, Ohio	248	1,005	1,253	22
Dallas, Tex.	481	1,275	1,756	34
Davenport, Iowa[3]	263	1,025	1,288	39

[1] Transferred to district 505 South State Street Aug. 20, 1913.
[2] Transferred to district 505 South State Street July 1, 1913.
[3] Opened Aug. 14, 1913.

Recruiting districts.	Number of applicants accepted.	Number of applicants rejected.	Total number of applicants.	Applicants accepted at stations and subsequently rejected at depots and depot posts.
Denver, Colo.	800	4,387	5,187	83
Detroit, Mich.	1,238	4,237	5,475	222
Duluth, Minn.[1]	75	155	230	4
El Paso, Tex.[2]	152	280	432	2
Evansville, Ind.	607	1,029	1,636	74
Grand Rapids, Mich.	213	899	1,112	39
Harrisburg, Pa.	331	434	765	39
Huntington, W. Va.[3]	495	1,544	2,039	72
Indianapolis, Ind.	1,498	3,185	4,683	247
Joplin, Mo.	399	2,931	3,330	57
Kansas City, Mo.	675	1,229	1,904	75
Knoxville, Tenn.	527	1,857	2,384	62
Lexington, Ky.	532	1,276	1,808	95
Little Rock, Ark.	458	1,209	1,667	65
Los Angeles, Cal.	336	869	1,205	22
Louisville, Ky.	519	1,415	1,934	75
Memphis, Tenn.	294	1,160	1,454	47
Minneapolis, Minn.[4]	1,392	2,465	3,857	89
Nashville, Tenn.	362	978	1,340	59
Newark, N. J.	300	1,614	1,914	43
New Haven, Conn.	532	2,236	2,768	56
New Orleans, La.	392	681	1,073	56
New York, N. Y.	5,118	15,033	20,151	670
Oklahoma, Okla.	514	2,251	2,765	38
Omaha, Nebr.	442	856	1,298	27
Parkersburg, W. Va.[5] (See Huntington, W. Va.)				
Peoria, Ill.	549	1,010	1,559	89
Philadelphia, Pa.	826	1,809	2,635	78
Pittsburgh, Pa.[6]	643	2,799	3,442	83
Portland, Me.	250	2,018	2,268	29
Portland, Oreg.	484	1,212	1,696	81
Providence, R. I.	632	1,406	2,038	75
Richmond, Va.	243	647	890	16
Roanoke, Va.	272	545	817	28
St. Louis, Mo.	1,397	5,039	6,436	188
St. Paul, Minn. (See Minneapolis, Minn.)				
Salt Lake City, Utah.	202	861	1,063	14
San Francisco, Cal.	3,018	12,343	15,361	409
Savannah, Ga.	304	1,424	1,728	24
Scranton, Pa.	368	1,295	1,663	39
Seattle, Wash.	305	567	872	7
Spokane, Wash.	270	516	786	26
Syracuse, N. Y.	271	1,161	1,432	37
Terre Haute, Ind.	409	1,078	1,487	51
Toledo, Ohio.	287	1,325	1,612	43
Wichita, Kans.	230	653	883	27
Total.	41,210	127,317	168,527	5,308

[1] Closed Feb. 12, 1914.
[2] Closed Feb. 28, 1914.
[3] Transferred to Huntington district Aug. 19, 1913.
[4] Main station changed from St. Paul, Minn., to Minneapolis, Minn., Aug. 26, 1913.
[5] Transferred to Huntington (W. Va.) district Aug. 19, 1913.
[6] The central auxiliary station at Wheeling, W. Va., was transferred to the Pittsburgh (Pa.) district Aug. 19, 1913.

As is apparent from the preceding table, only 24 per cent of those who applied for enlistment at recruiting stations were accepted, while less than 13 per cent of the accepted applicants were subsequently rejected at depots. These items for the fiscal year last preceding were 20 and 14 per cent, respectively.

In the table immediately following are shown the number of enlistments for the Army and the number of applicants rejected at the recruiting depots and other military posts and in the field within the fiscal year 1914.

Station or post.	Number enlisted.	Number rejected.	Total number examined.
General recruiting stations	369	.....	369
Recruit depots:			
Columbus Barracks, Ohio	7,539	1,555	9,094
Jefferson Barracks, Mo	7,501	1,481	8,982
Fort Logan, Colo	2,282	223	2,505
Fort McDowell, Cal	2,477	452	2,929
Fort Slocum, N. Y	8,536	1,217	9,753
Total	28,335	4,928	33,263
Depot posts:			
Fort Bliss, Tex	215	.....	215
Fort Douglas, Utah	24	.....	24
Fort George Wright, Wash	280	24	304
Jackson Barracks, La	318	57	375
Fort Lawton, Wash	393	9	402
Fort McPherson, Ga.[1]	495	93	588
Fort Oglethorpe, Ga.[2]	199	18	217
Fort Sam Houston, Tex	249	1	250
Fort Snelling, Minn	1,090	94	1,184
United States Military Prison, Fort Leavenworth, Kans.[3]	18	.....	18
Vancouver Barracks, Wash	556	85	641
Total	3,837	381	4,218
Military posts (other than depot posts)	6,257	167	6,424
In the field	2,997	16	3,013
Porto Rico Regiment of Infantry	76	20	96
Aggregate	41,871	5,512	47,383

[1] Designated as depot post Nov. 1, 1913. Discontinued Mar. 14, 1914.
[2] Designated as depot post Mar. 13, 1914. Discontinued May 7, 1914.
[3] Designated as depot post Nov. 1, 1913.

It is to be observed that the foregoing table does not include 3,560 enlistments and 900 rejections for the Philippine Scouts. With these added the enlistments were 45,431 and the rejections 133,729, including 127,317 rejections in recruiting districts, comprising a total of 179,160 enlistments and rejections for the entire Army within the fiscal year.

Of the rejected applicants referred to, 22,658 were rejected because of minority, 6,604 because they were aliens, and 5,212 because of illiteracy. Of the accepted applicants, 3,074 declined to enlist at depots or eloped en route thereto.

The race and nativity of those enlisted and reenlisted in the Army within the fiscal year 1914 are as set forth in the following table:

Race and nativity.	Regular Army.					Philippine Scouts.	Aggregate.
	Line of Army.	Staff departments, not including Hospital Corps and Quartermaster Corps.	Hospital Corps.	Quartermaster Corps.	Total.		
Native white:							
Enlistments	22,523	225	317	159	23,224	.....	23,224
Reenlistments	8,130	486	462	468	9,546	.....	9,546
Total	30,653	711	779	627	32,770	.....	32,770
Foreign white:							
Enlistments	4,245	11	62	9	4,327	.....	4,327
Reenlistments	1,987	153	91	107	2,338	.....	2,338
Total	6,232	164	153	116	6,665	.....	6,665

Race and nativity.	Regular Army.					Philippine Scouts.	Aggregate.
	Line of Army.	Staff departments, not including Hospital Corps and Quartermaster Corps.	Hospital Corps.	Quartermaster Corps.	Total.		
Colored:							
Enlistments	1,738	.....	6	13	1,757	.....	1,757
Reenlistments	526	3	46	4	579	.....	579
Total	2,264	3	52	17	2,336	.....	2,336
Indians:							
Enlistments	3	.....	.....	.....	3	.....	3
Reenlistments	9	.....	.....	.....	9	.....	9
Total	12	.....	.....	.....	12	.....	12
Porto Ricans:							
Enlistments	50	.....	1	2	53	.....	53
Reenlistments	32	.....	.....	1	33	.....	33
Total	82	.....	1	3	86	.....	86
Filipinos:							
Enlistments	.....	.....	.....	.....	.....	1,718	1,718
Reenlistments	2	.....	.....	.....	2	1,842	1,844
Total	2	.....	.....	.....	2	3,560	3,562
Total enlistments	28,559	236	386	183	29,364	1,718	31,082
Total reenlistments	10,686	642	599	580	12,507	1,842	14,349
Aggregate	39,245	878	985	763	41,871	3,560	45,431

It is deemed worthy of notice that slightly over 84 per cent of the original enlistments of white soldiers as set forth in the preceding table were enlistments of natives of the United States. During the three years last preceding, those percentages were 87, 88, and 89, respectively.

The following table shows, by months, the number of enlistments and reenlistments in the line of the Army within the three years ended June 30, 1914:

Months.	Fiscal year ended—								
	June 30, 1914.			June 30, 1913.			June 30, 1912.		
	Enlistments.	Reenlistments.	Total.	Enlistments.	Reenlistments.	Total.	Enlistments.	Reenlistments.	Total.
July	1,671	421	2,092	1,344	563	1,907	2,250	1,425	3,675
August	2,005	488	2,493	1,557	556	2,113	2,467	1,329	3,796
September	1,874	567	2,441	1,347	481	1,828	1,917	1,315	3,232
October	2,020	669	2,689	1,441	598	2,039	2,079	1,167	3,246
November	2,454	857	3,311	1,105	387	1,492	2,346	1,225	3,571
December	3,447	1,134	4,581	1,494	446	1,940	2,574	1,104	3,678
January	3,205	1,206	4,411	1,868	581	2,449	2,801	1,198	3,999
February	2,388	1,053	3,441	1,472	700	2,172	2,224	1,068	3,292
March	2,311	1,126	3,437	1,522	592	2,114	2,293	606	2,899
April	2,754	1,037	3,791	1,217	435	1,652	1,408	429	1,837
May	2,484	1,027	3,511	1,313	369	1,682	1,831	322	2,153
June	1,946	1,101	3,047	1,306	356	1,662	1,591	413	2,004
Total	28,559	10,686	39,245	16,986	6,064	23,050	25,781	11,601	37,382

The average total monthly enlistments, including reenlistments, obtained from the foregoing table are as follows: For the fiscal year 1912, 3,115; for 1913, 1,921; and for 1914, 3,270. It will be observed that there is a marked increase in the number of reenlistments within almost every period of the year last mentioned over the corresponding period of the preceding year, and that there is also a marked increase in the number of enlistments during each month of the last fiscal year over the corresponding month of 1913.

The number of enlistments and reenlistments, by branches of the service, is shown in the following table:

Branches of service.	Fiscal year ended—								
	June 30, 1914.			June 30, 1913.			June 30, 1912.		
	Enlistments.	Reenlistments.	Total.	Enlistments.	Reenlistments.	Total.	Enlistments.	Reenlistments.	Total.
Staff departments	805	1,821	2,626	449	969	1,418	481	1,107	1,588
Engineers	396	277	673	52	151	203	99	222	321
Cavalry	8,777	1,761	10,538	6,484	1,154	7,638	5,884	1,820	7,704
Field Artillery	2,115	457	2,572	653	232	885	2,333	468	2,801
Coast Artillery Corps	6,542	2,820	9,362	4,073	1,505	5,578	7,107	3,480	10,587
Infantry	10,711	5,183	15,894	5,714	2,941	8,655	10,327	5,480	15,807
Miscellaneous	18	188	206	10	81	91	31	131	162
Total	29,364	12,507	41,871	17,435	7,033	24,468	26,262	12,708	38,970

The relative increase or decrease in the number of enlistments and reenlistments in the different branches of the service is more apparent when the numbers in the last preceding table are reduced to percentages of the total number of enlistments and reenlistments for each year compared. For that reason those percentages are shown in the table which follows:

Branches of service.	Percentages of total number of enlistments and reenlistments during the fiscal year ended—								
	June 30, 1914.			June 30, 1913.			June 30, 1912.		
	Enlistments.	Reenlistments.	Total.	Enlistments.	Reenlistments.	Total.	Enlistments.	Reenlistments.	Total.
Staff departments	1.92	4.35	6.27	1.84	3.96	5.80	1.23	2.84	4.07
Engineers	.95	.66	1.61	.21	.62	.83	.25	.57	.82
Cavalry	20.96	4.21	25.17	26.50	4.71	31.21	15.10	4.67	19.77
Field Artillery	5.05	1.09	6.14	2.67	.95	3.62	5.99	1.20	7.19
Coast Artillery Corps	15.62	6.73	22.35	16.65	6.15	22.80	18.24	8.93	27.17
Infantry	25.58	12.38	37.96	23.35	12.02	35.37	26.50	14.06	40.56
Miscellaneous	.05	.45	.50	.04	.33	.37	.08	.34	.42
Total	70.13	29.87	100.00	71.26	28.74	100.00	67.39	32.61	100.00

It will be observed from the foregoing table that, as compared with the whole number of enlistments and reenlistments, the relative number of reenlistments within the fiscal year 1914 was greater than within the last preceding year.

Comparison of the number of reenlistments in the several branches of the service with the authorized strength of those branches shows with greater accuracy the relative number of reenlistments. There-

fore, the following table is presented showing the number of reenlistments to each 1,000 of the authorized enlisted strength of the several branches of the service in the three fiscal years last past:

Branches of service.	Number of reenlistments to each 1,000 of the authorized enlisted strength during the fiscal year ended June 30—		
	1914	1913	1912
Staff departments	178	167	472
Engineers	143	78	114
Cavalry	124	82	132
Field Artillery	83	42	86
Coast Artillery Corps	148	81	188
Infantry	126	87	174
Miscellaneous	30	9	15
The Army	139	80	156

Reference to the foregoing table will disclose that, as compared with the authorized strength, there has been a marked increase in the relative number of reenlistments in each branch of the service within the past fiscal year over that of the preceding year.

The practice has been continued of requiring officers to report whether the applications for enlistment received by them were, or were not, the result, wholly or in part, of any form of advertising, and, if so, of what form. By careful study and comparison of these reports effort is made to keep fully informed as to the comparative efficiency of each of the various methods of advertising for recruits.

The number of applications reported to have been the result of each of the several methods of advertising during the fiscal year ended June 30, 1914, is as follows:

Methods of advertising.	Number of applications.
Sight of recruiting flag and station	67,260
Recruiting poster	28,111
In parks and squares	19,376
Canvass by recruiting parties	11,738
Recruiting circulars	11,175
Newspaper advertisement	7,563
Special circulars issued by recruiting officers	6,264
Handbills	3,959
Photographs (in 3 districts September, October, and June; in 3 districts August, November, and December, and in 1 district during January)	2,430
Recruiting booklet	2,419
Electric recruiting sign (in 2 districts November to April and June, and in 1 district July to October and May)	1,001
Advertising cards	682
Personal letters from recruiting officers	613
News items in newspapers	200
Moving pictures of troops (in 6 districts during July and in 1 district during January and June)	85
Baseball team (in 1 district during June)	49
Postal cards	14
Painted bulletin boards	7
Total	162,946
Not the result of advertising	6,009
Total number of applicants reported upon	168,955

It will be seen from the foregoing table that, as in prior years, the sight of the recruiting flag and station attracted more applicants than any other method, the recruiting poster being second and the park

and square parties third, newspaper advertising, formerly third, having dropped to sixth place. With respect to the method of advertising last mentioned, however, it is but fair to say that, owing to lack of funds, it became necessary to discontinue all newspaper advertising early in February, 1914.

It is evident from the foregoing list of methods of advertising that recruiting officers continued to exercise exhaustive and resourceful efforts to attract candidates for enlistment.

Figures are not yet available from which a definite statement can be made of the expenses of the recruiting service for the fiscal year covered by this report, but throughout the year every avenue of expense has been studiously guarded; a number of reforms have been introduced; telegraphic reports have been consolidated and lessened in number; unproductive stations have been closed, reducing the number of officers on duty at stations; the personnel at depots has been lessened by 4 officers, 19 sergeants, 38 corporals, and 189 privates; the use of the white uniform has been discontinued with the consequent reduction of expense in supply and laundering. Improved methods of advertising are used and an illustrated recruiting booklet entitled "The United States Army as a Career" has been issued and circulated with gratifying results. The increase in the number of recruits obtained, coupled with the decreased expenditures, will doubtless result in a reduction in the per capita cost of recruits for the fiscal year 1914 as compared with the preceding fiscal year.

REGIMENTAL RECRUITING.

The supposed adequacy, practicability, and economy of regimental recruiting having appealed to many who have considered the subject, a test of regimental recruiting was made within the past fiscal year. Earnest effort was made by eight different regiments in various parts of the country to secure recruits by the officers of those regiments in connection with their other duties. Advertising matter was furnished to them, canvassing parties were sent out in thickly populated portions of the country, and the War Department urged upon the commanding officers of the regiments concerned to use every effort to stimulate regimental recruiting. The tests made, aggregating approximately a period of 10 months, by widely scattered regiments in populous territory, resulted in securing only 55 enlistments, one of the regiments having made only 1 enlistment, and two reporting none at all. Doubtless the officers of the regiments concerned did all that it was possible to do under existing conditions, but the results achieved were negligible.

INTENSIVE INSTRUCTION OF ORGANIZATIONS COMPOSED OF RAW RECRUITS.

Under War Department instructions special drafts of recruits having no previous service in the Army were sent to the following organizations: Sixty to Troop G, Eleventh Cavalry, Fort Oglethorpe, Ga.; 133 to Battery F, Fifth Field Artillery, Fort Sill, Okla.; and 120 to Company G, Fifth Infantry, Plattsburg Barracks, N. Y. This was done for the purpose of ascertaining how long it would take to make effective organizations of these arms of the service by intensive

instructions resembling war conditions when composed of raw recruits and a cadre of 20 experienced noncommissioned officers and men. The complement of recruits necessary to raise these organizations to the maximum war strength was completed in November, 1913. Reports of progress of instruction are to be made at the expiration of three, six, and nine months, and one year.

ARMY RESERVE.

On June 30, 1914, the Army Reserve, established November 1, 1912, consisted of 16 men, 12 of them enlisting in New York City and vicinity. During the year 1 reservist was discharged to enable him to enlist in the Navy.

Between November 1, 1912, and July 31, 1914, approximately 66,000 men have enlisted in the Army; of these, 101 men have applied to be furloughed to the reserve on completion of three years' active service.

CAMPS OF INSTRUCTION.

Orders were issued early in the present calendar year to department commanders in the United States and Hawaii to make the necessary preparations for the holding of joint camps of instruction.

Combined maneuvers were contemplated in the vicinity of Washington, D. C., to be participated in by the Organized Militia of neighboring States and by several organizations of the Regular Army; and in the vicinity of San Francisco, Cal., to be participated in by the Organized Militia of California and such regular troops as were stationed in that State. However, incident to the demand for troops on the Mexican border and in the Colorado coal mining districts, it was found necessary to cancel the plans for these maneuvers.

A Cavalry camp of instruction at Winchester, Va., similar to the one held at that place in the summer of 1913, was contemplated, but on account of the necessity for sending the Eleventh Cavalry and the Second Squadron of the Fifth Cavalry, scheduled to participate in this camp, to the Colorado mining districts, the orders for the establishment of the camp were withdrawn.

Preparations were made to hold, during the summer of 1914, State camps and joint camps for the instruction of all branches of the service of the Organized Militia in nearly all of the States. Owing to the Mexican situation it was found necessary to cancel the arrangements for the camps for medical officers and noncommissioned officers, the School of Instruction for Field Artillery Officers at the School of Fire for Field Artillery, Fort Sill, Okla., and the camp for Field Artillery officers at Fort Riley, Kans.

In lieu of combined maneuvers in the vicinity of Washington, D. C., State camps of the Organized Militia of the States that were to take part in those maneuvers were arranged. These camps were attended by small commands of regular troops, but the reports relative to them have not as yet been received in the department.

A joint camp of instruction for Field Artillery of the Regular Army and the Organized Militia is also being held at Tobyhanna, Pa.

The successful results of the students' military instruction camps held last year near Gettysburg, Pa., and at the Presidio of Monterey,

Cal., determined the War Department to establish such camps during the current year at Asheville, N. C., Burlington, Vt., Ludington, Mich., from July 6 to August 7, and the Presidio of Monterey, Cal., June 26 to July 31, 1914.

The camp at the Presidio of Monterey, Cal., was held under the direct supervision of the commanding general, Western Department.

The camps at Asheville, Burlington, and Ludington had an approximate attendance of 200, 500, and 200 students, respectively.

Preparations were made for Coast Artillery troops of the Regular Army and of the Organized Militia of States on the Atlantic and Pacific seaboards to engage in joint camps of instruction and coast defense exercises at convenient seacoast fortifications during the months of June, July, August, and September, 1914, under the supervision of the department commanders concerned.

As all of the reports on these camps have not as yet been received, a complete statement as to the number of troops of the Regular Army and of the Organized Militia participating in them can not be presented at this time.

SMALL-ARMS FIRING.

As the regular target practice season varies in the several departments, and in some instances extends to the close of the calendar year, it has been found to be impracticable to make a statement of the results of the practice for the year 1914 in this report. It has been the custom to announce the results of target practice in War Department general orders or bulletins as soon as the reports for the year have been received and examined.

The results of small-arms firing of the several organizations of the line of the Army in target practice for the year 1913, not including the organizations stationed in the Philippine Islands, are published in Bulletin No. 22, War Department, June 3, 1914.

As was stated in previous reports, qualification in the grades of expert rifleman, sharpshooter, and marksman was made more difficult as the result of a new system of firing for those grades, prescribed in the Provisional Small-Arms Firing Manual, 1909. This resulted in a decrease in the number of qualifications. An improvement, however, was shown for the year 1912, and for the year 1913 a decided improvement was attained. The numbers of qualifications, by grades, since 1909 are shown in the following table:

Grades.	Years.				
	1909	1910	1911	1912	1913
Expert riflemen	2,875	2,151	1,211	1,312	1,627
Sharpshooters	9,790	8,857	7,326	9,323	11,144
Marksmen	5,815	5,741	5,196	6,307	7,121

Under paragraph 1345, Army Regulations, enlisted men qualifying as expert riflemen, sharpshooters, and marksmen are entitled to additional pay of $5, $3, and $2 a month, respectively, "from the date of qualification to the end of the enlistment in which they qualify, provided that during that time they do not attain a higher classifica-

tion and that they continue to be members of an organization armed with the rifle, in which qualification is authorized."

The grade of expert revolver shot was established in revolver practice by paragraph 349, Provisional Small-Arms Firing Manual, 1909, and reports of the results of revolver firing in the several organizations of the line of the Army during the target years 1910, 1911, 1912, and 1913, show, respectively, 810, 1,050, 1,335, and 1,412 qualifications in that grade. A silver badge is provided for each original qualification.

Paragraph 282, Small-Arms Firing Manual, 1913, provides that departmental rifle and pistol competitions shall be held in every alternate year. The Secretary of War has directed that they be held in the odd-numbered years. Accordingly, those competitions will not be held in the year 1914.

The National Board for the Promotion of Rifle Practice has arranged for the holding of five national divisional competitions for 1914, and has prescribed conditions and regulations for those competitions. Those conditions and regulations, having received the approval of the Secretary of War, were published in Bulletin No. 11, War Department, April 8, 1914. The dates for holding those competitions have not been announced.

A board of officers, appointed by the Secretary of War for the purpose of revising the Provisional Small-Arms Firing Manual, 1909, convened in accordance with paragraph 5, Special Orders, No. 201, War Department, August 28, 1911, at the School of Musketry. The work of that board, approved by the Secretary of War February 28, 1913, was published as the Small-Arms Firing Manual, 1913, and took effect January 1, 1914.

THE SECOND DIVISION.

The Second Division, which, under orders issued from the War Department February 21 and 24, 1913, was mobilized at Galveston and Texas City, Tex., has remained in camp at those places, with the exception of the Fifth Brigade, which was reinforced and detached to Vera Cruz, Mexico, under orders issued from the War Department April 23, 1914.

The strength of the Second Division on June 30, 1914, not including the troops of that division at Vera Cruz, Mexico, was approximately 383 officers and 8,030 enlisted men.

TROOPS ENFORCING NEUTRALITY LAWS ON THE MEXICAN BORDER.

There were on duty June 30, 1914, in connection with the enforcement of the neutrality laws on the Mexican border the following-named organizations of the Army: Company I, Signal Corps; Troops D and L and Machine-Gun Platoon, First Cavalry; First and Third Squadrons, Third Cavalry; Ninth Cavalry; Tenth Cavalry (except Troop L); First Squadron, Twelfth Cavalry; Thirteenth Cavalry (except Troop I); Fourteenth and Fifteenth Cavalry; Sixth Field Artillery; Twenty-eighth, Twenty-ninth, Thirty-ninth, Fifty-seventh, Sixty-first, Sixty-sixth, Ninety-first, One hundred and fifteenth, One hundred and twenty-eighth, One hundred and forty-seventh, One hundred and sixty-fourth, and One hundred and seventieth Com-

panies, Coast Artillery Corps; Sixth, Ninth, Twelfth, Sixteenth, Seventeenth, and Twentieth Regiments of Infantry. The strength of these organizations was approximately 520 officers and 12,267 enlisted men

UNITED STATES TROOPS AT VERA CRUZ, MEXICO.

Orders having been issued for the Fifth Brigade of the Second Division—reinforced to consist of the Sixth Cavalry, the Fourth, Seventh, Nineteenth, and Twenty-eighth Regiments of Infantry, the Third Field Artillery, less the Second Battalion, the Fourth Field Artillery, the Second Battalion of Engineers (less Company F, and including Company M), Company D, Signal Corps, Ambulance Company No. 3, Field Hospital No. 3, and an aviation detachment—to make preparations for transfer to Vera Cruz, Mexico, the commanding general, Second Division, was directed, on April 23, 1914, to cause the four regiments of Infantry and as much of the Field Artillery and Cavalry troops of the reinforced brigade as practicable to be embarked on the Army transports *Sumner*, *McClellan*, *Kilpatrick*, and *Meade*, and to proceed at once to Vera Cruz.

On April 24, 1914, the four regiments of Infantry of the Fifth Brigade, together with Company E, Second Battalion of Engineers, and Field Hospital No. 3, a total of 182 officers and 3,047 enlisted men, sailed from Galveston, Tex., under the command of Brig. Gen. Frederick Funston, United States Army, and arrived in Vera Cruz harbor on April 28, 1914, and disembarked. On April 26, 1914, the First Battalion of the Fourth Field Artillery sailed from Texas City for Vera Cruz on the chartered transport *Satilla* to join Gen. Funston's command.

On April 26, 1914, orders were issued to Gen. Funston, in compliance with instructions received from the President, upon arrival at Vera Cruz, to relieve the Navy of its duties ashore incident to the occupation and control of the city of Vera Cruz and its environs. Gen. Funston was advised on the same date that pursuant to the orders of the President, the First Brigade, United States Marine Corps, would be placed under his command for service with the Army.

On April 27, 1914, the commandant of the Marine Corps advised the Secretary of War that, pursuant to instructions that day transmitted to the flag officer, U. S. S. *Arkansas*, at Vera Cruz, by the Secretary of the Navy, and in accordance with section 1621, Revised Statutes, the First Brigade, United States Marine Corps, comprising 113 officers and 3,333 enlisted men, had been detached from duty with the Atlantic Fleet for service with the Army.

On April 29, 1914, the headquarters, band, detachment of the First Battalion, Fourth Field Artillery, and Troops I and K, Sixth Cavalry, sailed from Galveston for Vera Cruz on the chartered transport *San Marcos*, and on April 30, 1914, Company D, Signal Corps, sailed for Vera Cruz on the naval transport *Esperanza*.

Gen. Funston reported taking over from the Navy the command at Vera Cruz on the afternoon of April 30.

On June 30, 1914, the strength of the United States Army at Vera Cruz was 256 officers and 3,924 enlisted men, and the strength of the United States Marine Corps was 102 officers and 2,954 enlisted men, a total strength of 358 officers and 6,878 enlisted men.

COLORADO COAL MINE DISTURBANCES.

At the request of the governor of the State of Colorado for Federal troops to maintain order in certain mining districts of that State, the Second Squadron, Fifth Cavalry, the Eleventh Cavalry, and seven troops and the Machine-Gun Platoon of the Twelfth Cavalry, were sent to aid in suppressing the disorder. These troops, approximately 61 officers and 1,590 enlisted men, left their stations on various dates from April 29 to May 9, 1914, and are still serving in the disturbed regions.

MILITARY OPERATIONS IN THE PHILIPPINES.

There were some military operations against hostile Moros in the island of Jolo during the past fiscal year.

A series of actions took place June 30–July 1, 1913, near Taglibi, a detachment of the Eighth Infantry, and the Thirteenth, Fourteenth, Sixteenth, and Fortieth Companies of Philippine Scouts participating. Two men were killed and 4 wounded in these actions.

Detachments of Troops I and L, Eighth Cavalry, and the Fourteenth Company, Philippine Scouts, were engaged with hostile Moros at Lakibans Cotta July 18, 1913, and lost 1 man wounded.

There were two engagements at Mount Talipao, one August 10 and the other October 22, 1913. Detachments of the Sixteenth, Twenty-first, and Twenty-fourth Companies of Philippine Scouts were engaged in the former and lost 1 man killed and 3 men wounded. In the latter the Thirteenth, Sixteenth, Twenty-fourth, and Thirty-first Companies, Philippine Scouts, were engaged with a loss of 5 men killed and 1 officer and 9 men wounded.

In an engagement March 1, 1914, at Bud Tandu, between the hostile Moros and a detachment of the Fifty-second Company, Philippine Scouts, the latter lost 1 man wounded.

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OFFICIAL RECORDS OF THE UNION AND CONFEDERATE ARMIES.

It appears from the report of the Chief of the Record and Pension Office for 1901 that, although over 12,000 sets of this great work had been distributed throughout the country, but 1,912 sets appeared from the records of the office to have been issued to public libraries or educational institutions. The Secretary of War, in this connection, having invited the attention of Congress to the propriety of printing a final edition of the volumes and atlas sufficient to supply probable demands therefor, the following provision was made in the sundry civil appropriation act approved March 3, 1903 (32 Stat. L., 1145):

> The Secretary of War is authorized and directed to furnish to each Senator, Representative, and Delegate to the Fifty-seventh Congress one set of the Official Records of the Rebellion, and to furnish two sets of said Records to such permanent libraries and educational institutions as may be designated by each of the said Senators, Representatives, and Delegates, and for this purpose there shall be used any volumes or parts of volumes remaining unsold or unclaimed by beneficiaries heretofore designated to receive them: *Provided*, That the Secretary of War may call upon the Public Printer to print and bind such additional numbers of the several volumes and maps as may be necessary to complete the sets herein provided for, and that when such additional volumes shall have been printed the plates used in printing the sets now and heretofore authorized shall be destroyed.

Pursuant to that legislation, a sufficient number of the volumes and the accompanying atlases to meet its requirements was obtained from the Public Printer, and Senators, Representatives, and Delegates were requested by the Secretary of War to designate the addresses to which they desired their quotas sent. The volumes were distributed as fast as designations were received.

However, a considerable number of sets not having been distributed, letters were written during the past fiscal year to all living Members of Congress who had sets due them for distribution, as well as to representatives of deceased Members who had not disposed of the personal sets remaining to their credit. As the result of this correspondence, 42 sets were disposed of during the year. There remain, however, stored in this office at this time, 11 years after the passage of the legislation referred to, 112 sets to the credit of Members of the Fifty-seventh Congress who are still living and 118 sets to the credit of Members of that Congress who have died, no designations having been received in those cases.

In addition to the sets before referred to, the office has a large number of volumes of the publication received from the Government Printing Office and from defunct libraries and organizations. It is probable that 100 complete sets can be made up from this miscellaneous collection; but there are no copies of the atlas to accompany them.

It is believed that the volumes turned in to this office and the 230 complete sets which were due Members of the Fifty-seventh Congress but have not been called for may be sold under the terms of the act approved August 7, 1882 (22 Stat. L., 320), which set aside 10,300 sets for Senators, Representatives, and Delegates to the Fifty-seventh Congress and other distributions, and provided "That the remaining copies of the eleven thousand to be published and all sets that may not be ordered to be distributed as provided herein shall be sold by the Secretary of War for cost of publication with ten per cent added thereto, and the proceeds of such sale shall be covered into the Treasury." It is therefore recommended that the Secretary of War authorize the sale of the complete sets remaining on hand, including the atlases, and also such odd volumes as may be called for and which are not parts of complete sets. The cost of a set with atlas, plus 10 per cent, is $101.50.

The space required for the storage of upward of 330 sets of this work may be appreciated when it is recalled that each set comprises 128 volumes, plus the atlas, and therefore the number of books of this character cared for by this office exceeds 42,240.

ROSTER OF OFFICERS AND ENLISTED MEN OF THE UNION AND CONFEDERATE ARMIES.

The compilation of the Confederate part of the "Complete roster of officers and enlisted men of the Union and Confederate Armies," authorized and required to be compiled by a provision contained in the act of Congress approved February 25, 1903 (32 Stat. L., 884), was continued during the year as rapidly as the condition of the current business would permit. The legislation under which the compilation is being made does not require or authorize the publication of the proposed roster, but Congress no doubt intended that the

authority for its publication should be given when the work of compilation shall have been completed or shall have been sufficiently advanced to justify the beginning of the publication.

The compilation of the Union part of the roster is comparatively complete, but the compilation of the Confederate part will not be completed for any one State until the carding of all the Confederate hospital records now in progress shall have been completed.

A joint resolution (H. J. Res. 208) providing for the printing of the roster of the officers and enlisted men of the Union and Confederate Armies was introduced in the House of Representatives January 31, 1914, but no action has as yet been taken thereon. If the publication is authorized by Congress, the preparation of printer's copy for the part relating to Union volunteer troops can be begun. The preparation of printer's copy for the Confederate part can not be begun until the carding of all Confederate records, including the hospital records, has been completed.

CONFEDERATE NEWSPAPERS TRANSFERRED TO THE LIBRARY OF CONGRESS.

A large number of newspapers that were captured from the Confederate States when Richmond fell in 1865 were transferred from this office to the Library of Congress in March, 1914. Those newspapers were not used in connection with the current business of The Adjutant General's Office, and as they contain much data of historical value it was deemed advisable to place them in the Library of Congress, where they would be much more accessible to historical investigators. The papers bear various dates within the Civil War period, and most of them were printed in southern cities, although a considerable number are British papers and a few are northern papers.

COLLECTION OF REVOLUTIONARY WAR RECORDS.

An act of Congress approved March 2, 1913 (37 Stat. L., 723), authorized and directed the Secretary of War to collect or copy and classify, with a view to publication, the scattered military records of the Revolutionary War, including all troops acting under State authority, and appropriated $25,000 to be used for that purpose. That act contained a similar requirement with regard to naval records of that war and appropriated $7,000 to enable the Secretary of the Navy to carry it into effect.

The carrying out of the work of collecting the military records was placed by the Secretary of War under charge of The Adjutant General, and steps were taken to ascertain the whereabouts of large collections of those records by correspondence with the governors of the original States, the patriotic societies of the Revolutionary War, and the principal historical societies.

It soon became evident, because of the mass of material involved and its scattered condition, that the services of an officer would be required continually in connection with the work. Consequently, Capt. Hollis C. Clark, United States Army, retired, was appointed director of the work and entered on duty October 27, 1913.

The War Department had some years ago obtained the loan of Revolutionary War records of Delaware, New Hampshire, New Jer-

sey, New York, and Vermont from the State authorities and had made copies of those loaned records, and, consequently, it was decided to begin work on the records of other States. Massachusetts, Virginia, and North Carolina were selected as the States in which to begin an examination of the Revolutionary records. The War Department and the Navy Department have cooperated, in the interests of economy, in conducting the search for military and naval records of the Revolutionary War. The examinations for both classes of records are being made at the same time, and the expenditures for such joint work have been charged pro rata against the two appropriations in accordance with an agreement made between the Secretary of War and the Secretary of the Navy upon a suggestion of the Comptroller of the Treasury.

Historical searchers have been employed in these States since January 27 last. Records found are being copied by photography. On June 30, 3,773 records had been copied, of which 1,389 are from Massachusetts, 1,184 from Virginia, and 1,200 from North Carolina records.

MEDALS OF HONOR.

During the fiscal year ended June 30, 1914, there were 10 medals of honor issued by the War Department. Of these 9 were issued to replace medals of the old design and 1 was an original issue of a medal awarded during the year. The whole number of awards of the Congressional medal of honor up to and including June 30, 1914, was 2,618. Medals of honor are issued by the War Department under the provisions of the act of Congress approved April 23, 1904 (33 Stat. L., 274).

CAMPAIGN AND CERTIFICATE OF MERIT BADGES.

A summary of the campaigns for which the issue of campaign badges has been authorized is published in General Orders, No. 129, War Department, August 13, 1908. The issue of those badges, which are intended "to commemorate services which have been or shall hereafter be rendered in campaign," was authorized by General Orders, No. 4, War Department, January 11, 1905.

During the past fiscal year 1,790 names were added to the lists of officers and enlisted men who were found to be entitled to campaign badges, making a total of 12,478 officers and enlisted men found to be entitled to those badges. Of these, 31,337 were entitled to Philippine campaign badges, 7,237 to Spanish campaign badges, 1,622 to China campaign badges, 1,839 to Indian campaign badges, and 443 to Civil War campaign badges.

Campaign badges are a part of the uniform; they are sold to officers and issued to enlisted men in service by the Quartermaster General of the Army on data furnished by The Adjutant General's Office.

It was decided by the Secretary of War in 1908 that campaign badges may be issued to members of the Organized Militia who are entitled to wear the uniform of the Army and whose service conforms to the requirements of General Orders, No. 129, before cited. Since the date of that decision (May 26, 1908) data have been furnished to the Quartermaster General of the Army in the cases of approximately 1,995 members of the Organized Militia who made application for campaign badges.

In addition to the campaign badges before referred to, the issue of a service badge was authorized for service in the Army of Cuban Pacification by General Orders, No. 96, War Department, May 11, 1909. Data have been furnished to the Quartermaster General of the Army in the cases of 6,225 applications for those badges since the date of the order authorizing their issue.

The issue of a certificate of merit badge and ribbon as a part of the uniform to each officer and enlisted man in the service having a certificate of merit was authorized in General Orders, No. 4, War Department, January 11, 1905, as amended in General Orders, No. 129, War Department, August 13, 1908. At the close of the last fiscal year 202 certificate of merit badges had been issued.

In order that former officers and soldiers, now in civil life, might be able to obtain the campaign badges and certificate of merit badges to which they would have been entitled if they were still in service, an arrangement was made with the United States Mint, at Philadelphia, by which these badges would be furnished by the mint at a nominal cost covering expense of manufacture, upon receipt of certificates from The Adjutant General of the Army in verification of the claims.

This arrangement was completed in December last, and since that date 12,295 applications for campaign badges have been received in this office. In 10,551 of these cases, the service was verified and certificates were issued accordingly. The campaigns for which these certificates were issued are as follows: Civil War, 4,477; Spanish War, 2,457; Philippine insurrection, 2,853; Indian wars, 487; China campaign, 202; Army of Cuban Pacification, 75. In addition to these, certificates for purchase of certificate of merit badges were issued in nine cases.

PHILIPPINE SERVICE MEDAL.

The issue of "Philippine service medals," so called, is authorized by the act of Congress approved June 29, 1906 (34 Stat. L., 621). Those medals are issued by the Quartermaster General of the Army on data furnished by The Adjutant General's Office. They are, under the terms of the act cited, "to be presented to each of the several officers and enlisted men and families of such as may be dead, who, having volunteered and enlisted under the calls of the President for the War with Spain, served beyond the terms of their enlistment to help to suppress the Philippine insurrection, and who subsequently received an honorable discharge from the Army of the United States, or who died prior to such discharge."

Up to and including June 30, 1913, statements as to whether or not service upon which the application was based was such as to authorize the issue of that medal had been made by The Adjutant General's Office in 7,275 cases. During the past fiscal year similar statements were made in 105 cases, making a total of 7,380 applications for Philippine service medals received since the enactment of the legislation before cited. In 6,380 of these cases the service was found to be such as to come within the provisions of the law, and in the remaining 1,000 cases the service was found to be such as to preclude the issue of the medal. In a great majority of the cases of the latter class the applicants, or the persons on account of whose service applications were made, did not enter the service under a call of the

President for the War with Spain, or did not serve in the Philippine Islands, or did not serve in the Philippine Islands after the termination of the War with Spain, or the service was not terminated honorably.

In the case of each of the applications received the Quartermaster General of the Army was advised with regard to the record of the applicant or the person on account of whose service the application was made.

* * * * * * *

GEO. ANDREWS,
The Adjutant General.

REPORT OF THE INSPECTOR GENERAL.

WAR DEPARTMENT,
OFFICE OF THE INSPECTOR GENERAL,
Washington, August 31, 1914.

SIR: The following is a report of the work of this department during the fiscal year ended June 30, 1914:

PERSONNEL OF THE DEPARTMENT.

At the close of the fiscal year the number of officers in the permanent establishment remained as reported for a number of years past, to wit, one brigadier general and two colonels. Since that time the department has lost by death one of its most valuable and efficient officers, Col. Stephen C. Mills, inspector general.

When the fiscal year closed the inspectors general doing duty in the department under the provisions of the act of February 2, 1901, consisted of one colonel, four lieutenant colonels, and nine majors; and under the provisions of the act of June 23, 1874, the four acting inspectors general consisted of two colonels and two majors.

Without exception, these officers performed their varied and numerous duties in an intelligent, fearless, and zealous manner, although perhaps too few in number for the amount of work they had to do. Unusual circumstances required that one inspector general should be stationed at the port of embarkation, Galveston, Tex., and another with the United States expeditionary forces at Vera Cruz, Mexico, where their services were imperatively needed; but this, of course, weakened the corps in other quarters, where their services would otherwise have been engaged.

INSPECTIONS.

During the past fiscal year the inspection of the Military Establishment, though not entirely completed, was approximately so. Some of the prescribed inspections had to be omitted on account of the insufficiency of mileage funds available.

The prescribed inspections made embraced every phase of military affairs and included military posts, stations, and commands; tactical inspections of troops; camps of maneuver and instruction; the staff offices at department headquarters; the Military Academy; service

schools; the armories, arsenals, general hospitals, and the depots of the supply departments; the recruit depots and main recruiting stations; the military prisons; the required inspections of Army transports and chartered transports upon arrival at or departure from ports, and of the cable boats, mine planters, and harbor boats of the Quartermaster Corps; and the biennial inspections of such national cemeteries and ungarrisoned posts as were due during the year. Also included in the work of the fiscal year were the inspections of the Soldiers' Home, District of Columbia, and of the 10 branches of the National Home for Disabled Volunteer Soldiers, scattered throughout the country from Maine to California. The usual inspections of the money accountability of all disbursing officers of the Army and very numerous inspections of unserviceable property presented for condemnation were also made.

All the irregularities and deficiencies noted in these inspections were reported in due and prescribed form, and the necessary steps were taken promptly to secure speedy and proper remedial action.

In addition to the varied and numerous inspections enumerated above, which are regularly assigned to the corps, the officers of the Inspector General's Department made during the year, under the orders of the War Department and department commanders, many special investigations, involving much time and labor.

TACTICAL INSPECTIONS.

While the tactical inspection as prescribed originally in Army Regulations is theoretically a most excellent test of troops, it has heretofore been so hedged about with difficulties as to make it appear practically impossible to carry out fully the scheme provided for. The most serious obstacle was the divided responsibility, the inspection being required to be made by the department and brigade commanders and the inspectors general at the same time and place, and the last named were to prepare the reports of the inspections.

For several reasons this arrangement did not give satisfactory results. In many instances brigade and department commanders were not present at the tactical inspections, and even when they were, it often happened that the inspector general had to make the inspection as well as the report. In such cases the inspections were inspections by inspectors general and not by the tactical commander of the troops inspected, as intended and required by regulations.

Recently this office submitted proposed amendments to the Army Regulations affecting tactical inspections, which have since been adopted. It is believed that these will cure the defects by requiring that the principles of inspection and report by the tactical commander, and the training during these inspections, be fully carried out.

OFFICERS.

Reports of inspections received show that numerous company organizations throughout the Army have had many changes of commanders during the past three fiscal years. Such a condition must necessarily affect the discipline and efficiency of the troops concerned.

The fact that the cost and condition of equipment have been made a matter for consideration on an officer's efficiency report may result in injury to some deserving officers. An officer, to avoid unfavorable

remarks upon his efficiency report, and knowing that he is soon to be relieved, may fail to destroy property that should be destroyed, and shift the burden and responsibility to his successor. The changing of equipments between regiments and the frequent changes of commanders usually render the responsibility for cost and condition practically impossible to determine.

Complaint has been made that the requirement to the effect that line officers detailed by the Quartermaster Corps must pay $10 a year for bond is an unjust one. This expense should be borne by the Government. Engineer officers of the same rank expend many millions of dollars every year without being bonded, and to require quartermasters to go to the expense of procuring bonds has the appearance of discrimination.

THE LINE OF THE ARMY.

In last year's report it was suggested that the mobile troops of the Army could at all times be kept at war strength under existing laws and at small additional expense by transferring the Philippine Scouts to the Philippine Constabulary, at the cost of the Philippine Government, and adding the men now required for scout duty to the Regular Army. It is still believed that the proposition is worthy of careful consideration. No additional legislation other than appropriations for the pay of less than 6,000 men is necessary to keep the Regular Army up to a strength of 100,000 men. Should this be done, the efficiency of organizations would not be paralyzed at critical times by compelling them to absorb a lot of untrained men and horses that would be practically useless for a long time.

INSTRUCTION.

The drill and instruction of the troops, with some exceptions, are very satisfactory, the commands being generally efficient and ready for field service, so far as the efforts of the troops are concerned.

Even where the training of the mobile troops was incomplete, or where the results fell short of what was desired, a good showing was made in the field training, the interest shown by both officers and men being commendable. The most serious deficiencies have been in the preparation and issuing of orders, both verbal and written; in fire distribution, control, and discipline; and in understanding the significance of superiority of fire, for a full comprehension of which actual war conditions are probably essential.

It appears that there was, as a rule, but small success in the matter of acquiring proficiency in the use of the bayonet and sword as weapons, though the effort to do so was sincere and general. Satisfactory results can not be obtained until suitable tools for such training are provided. A suitable fencing outfit has for several years been a great desideratum. The recently published Manual of Saber Exercises seems to promise well.

Reports received indicate that, generally speaking, saber exercises at inspections were not satisfactory. Doubtless this was due, in large part, to the exigencies of the service which scattered our Cavalry along the southern border and gave diminished opportunity for the normal amount of instruction.

EQUIPMENT.

The new infantry equipment is reported as being, as a rule, excellent. Prompt consideration by the proper authority is reported as being given to such defects as develop in the equipment.

The Army as a whole is probably as fully equipped as could be expected.

DISCIPLINE.

So far as reported, the discipline of the Army is satisfactory.

DESERTIONS.

From some posts the number of desertions is reported as large.

It was reported that Troop D, Thirteenth Cavalry, presented the unusual—possibly unique—record of having had but two desertions in six years, and one of the two men who deserted during that time surrendered, was returned to the troop, and served out his enlistment. Many organizations have a very satisfactory record in this respect.

DISCIPLINARY COMPANIES.

Under the provisions of General Orders, No. 56, War Department, 1913, the organization of four disciplinary companies was authorized from among the general prisoners serving sentences at the military prison, Fort Leavenworth, Kans., for purely military offenses. These disciplinary companies were organized as Infantry companies, and a portion of each day was devoted to military instruction. The object of the order was to restore to the military service such of the members of these companies as gave promise of making good if returned to duty with the colors. The reports received of the results thus far achieved are too meager to permit definite conclusions as to the number of men that may be reclaimed under the new system.

RECRUITING.

During the last year all the recruits that were necessary for the service were obtained; but a decrease in accepted applicants for enlistment, as compared with last year, has been reported from some sections of the country in the reports of inspection of recruiting stations. The cause of the decrease, where stated, is generally given as the seven-year enlistment period. One inspector says that most men who do not enlist for this reason are men who have completed one enlistment and they do not return to the recruiting offices. He believes that this may be avoided by allowing special assignments to reenlisted men, which, it is argued, would bring many good men back into the service, and in the end would be an economy to the Government.

Another reason assigned for the decrease in accepted applicants at these places is the profitable employment available in agricultural sections.

UNIFORM.

Objection has been made to the requirement of paragraph 65, Uniform Regulations, to the effect that the cap must be worn except

when the men are equipped for field duty. It is said that the glare and heat of the sun at all posts along our southern border make the wearing of the cap an extreme hardship on the men. Moreover, it exposes the back of the soldier's head to the direct rays of the sun, which, in a semitropical country, is likely to produce injurious effects. In stormy weather the cap is a poor headgear. The rain readily soaks through the top; the head and neck of the wearer are not adequately protected. In any uniform comfort is a prime requisite, and the cap is certainly not a comfortable head covering in rainy weather. It is recommended that the service hat be authorized whenever raincoats, slickers, or ponchos are worn.

PROPERTY.

The requirement that organizations shall keep a record of property destroyed during the three preceding fiscal years, and furnish it to the inspector upon his arrival, has been generally observed, but the data so far received does not appear to be sufficiently accurate and complete to serve as a basis from which to make satisfactory deductions.

The advisability of keeping records of the maintenance cost of organizations, as prescribed in General Orders, No. 43, War Department, 1913, has been questioned by several inspectors general as well as by other officers. Among the objections urged against it are (1) that it requires an excessive amount of clerical work; (2) that it is a duplication of work, in that the supply departments keep the same records, and no doubt generally much more accurately than those kept by the local supply officers; (3) that the system of replacing articles turned in as unserviceable, which are reported as new but are not new, does not seem fair to the organization commander; (4) that while the record is not required to be kept in the case of organizations in field service in time of war, yet it is required to be kept by organizations which are actually engaged in field service under practically war conditions—as our troops now on the Mexican border—who have not the clerks nor the facilities for keeping it, which seems unnecessary labor; (5) that as many organizations have three or four organization commanders per year, these records would appear to be of but little value as a basis for estimating the relative efficiency of organization commanders, for obvious reasons. Other objections might be stated.

If it is considered desirable to know what the cost of an organization actually is, it is believed that it should be done in the War Department, where the final returns for property are made. The system prescribed by General Orders, No. 43, War Department, 1913, appears to be open to question; and the method of estimating efficiency on the basis of cost of maintenance appears to be, in the general case, totally inadequate.

PUBLIC ANIMALS.

A serious shortage of riding and draft animals is reported in some of the commands which, it has been reported, would seriously affect the efficiency of the troops if they should be called into the field.

It is believed that the provision of the current Army appropriation act to the effect that, when practicable, mounts shall be purchased locally in open market, if judiciously carried out, will result beneficially to the Army and in economy to the Government.

TRANSPORTATION.

Reports show that the means of transportation at some of the Coast Artillery posts is not all that it should be, but that action by responsible officers to remedy the defects is in progress.

PUBLIC FUNDS.

Reports of inspection show that generally the laws and regulations with reference to accounting for public funds have been observed by disbursing officers. They have not, as a rule, taken up in the cash book, daily, cash receipts from sales, etc. As cash books should show the actual status of the money accountability at the close of each day, it is necessary that receipts and expenditures should be entered daily.

The failure to take up cash daily is to be attributed in large part to the fact that the cash book formerly in use was not well adapted to daily entries; also to the fact that the decision requiring this to be done was not promptly supplied to disbursing officers by the staff department in which the decision originated.

In a few instances there was a shortage of funds, and in each instance the responsible officer was held for the shortage by the War Department.

COMPANY FUNDS.

As was stated in the report last year, inspectors general were directed to investigate and report upon the subject of the accumulation of large company funds and to make recommendations with respect thereto. The scope of their inquiry was to be: (1) The source of company funds when in excess of $8 cash per man; (2) the effect of large funds on the military efficiency of the organizations concerned; (3) the effect of large company funds in some organizations upon the contentment of organizations not similarly provided; and (4) should a limit be placed upon the amount of company funds.

About 25 inspectors general and acting inspectors general reported upon these questions, and the following may be stated as condensed deductions from their reports, to wit:

(1) So far as reported upon, no very definite opinion seems to have been reached as to the sources of the large company funds. One inspector gave as his opinion that "Either the organization commander is unwilling to spend the money or else the receipts from billiard and pool tables are larger than they should be." This, probably, is not very far from being the correct solution of the problem.

(2) The trend of opinion seems to be mostly in the direction that a fair-sized company fund has a good effect upon the military efficiency of the organizations concerned.

(3) The general idea gathered from the reports submitted is that it is better to permit an organization to accumulate a fairly large fund under favorable conditions against the time when it will be needed. The accumulations of fat years are thus used to tide over the lean ones, such as prolonged periods of field service, when sources of income are largely cut off.

(4) The trend of opinion seems to be strongly against fixing a limit upon the amount of company funds.

POST EXCHANGES.

As a rule, the post exchanges have been so conducted that they paid dividends during the past year. Several cases of loose administration were developed by inspectors and were investigated. The investigations showed that the management of the post exchanges had in some cases not been properly supervised by the exchange officers, nor had the audit by the exchange council been made in accordance with the provisions of paragraphs 316, 317, and 318, Army Regulations.

Members of the exchange council should be held responsible equally with the exchange officer for losses suffered by the exchange due to the dishonesty on the part of any employee whenever a proper performance of their duties would have resulted in such dishonesty being discovered.

SIGNALING.

An improvement in the use of the flag over last year's status is reported, but it appears, so far as reported, that real proficiency in its use in the field was rare. It is believed that present requirements may result in material improvement in the use of the flag.

BUSINESS METHODS OF STAFF DEPARTMENTS.

Reports received show that, generally speaking, the business methods of the various staff departments are satisfactory and that the workings of the consolidated Quartermaster Corps at posts appear to be giving good results.

In the Southern Department, which at times received large and unexpected accessions to the great number of troops already in the field, there was a complaint of lack of promptness in getting requisitions filled.

It is stated that this was in part due to the lack of familiarity of field quartermasters with the technical classifications of quartermaster property, and to the fact that many old sergeants and civilian clerks, formerly specialists in a single department, do not readily adjust themselves to new methods.

BUSINESS METHODS AT POSTS.

It has been reported that inspectors, in making the ordinary inspections of administrative offices in posts, have noticed a tendency on the part of officers to consider the question of business administration as of less importance than tactical instruction; and that the tendency to minimize the importance of all kinds of paper work, as well as to relegate to the background the duties of administration in connection with the ordinary routine of the service, is marked and is increasing. The tendency on the part of officers to neglect the details of business administration is inevitably followed by carelessness on their part in the use of property and funds, and by losses of both, which might have been avoided if attention to business administration had been given the importance it deserves and should always have.

* * * * * * *

D. C. SHANKS,
Lieutenant Colonel, Infantry, in Charge of Office.

The SECRETARY OF WAR.

REPORT OF THE JUDGE ADVOCATE GENERAL.

SEPTEMBER 23, 1914.

SIR: I submit the following report of the Judge Advocate General's Department for the year ending June 30, 1914:

EXTENSION OF DUTIES.

By order of the Secretary of War, effective June 1, 1914, the legal work of the War Department was consolidated, the Judge Advocate General's office taking over the work of the law office of the Insular Bureau, in which office legal questions coming up from our insular possessions had been handled since 1898. This consolidation was preceded by the appointment of Mr. Lewis W. Call, chief clerk and solicitor of the Judge Advocate General's office, as successor to Mr. Felix Frankfurter, law officer of the Insular Bureau, resigned, and the appointment of Mr. William H. Keith, chief clerk of the War College, to succeed Mr. Call. A further extension of the duties of the department resulted in the issue of General Order No. 56, War Department, September 17, 1913, under the provisions of which the Judge Advocate General's Department assumed, under the Secretary of War, the direction and control of the United States military prison at Fort Leavenworth, Kans., its Pacific branch at Alcatraz, Cal., and of Castle Williams, recently designated the Atlantic branch.

PENDING LEGISLATION.

A bill carrying a comprehensive revision of the Articles of War and of the statutes relating to the United States military prison and its Pacific branch, and providing for placing the Judge Advocate General's Department under the detail system, has been pending in the House since April 22 and in the Senate since April 25, 1912. Hearings on this bill were held by the House Military Committee May 14 to 27, 1912, during which a number of amendments, all of a nature to improve the revision and acceptable to the War Department, were proposed by members of the committee. While the revision appeared to meet with general favor of the House committee, the legislative situation did not permit of the bill being reported prior to the adjournment of the second session of the Sixty-second Congress, August 26, 1912, nor during the third session of that Congress, which convened December 2, 1912, and adjourned March 4, 1913. During this latter session nine articles of the proposed revision relating to the constitution, composition, and jurisdiction of courts-martial, were specially reported by the Senate committee, and were subsequently enacted as a rider to the Army appropriation bill, approved March 3, 1913. The Sixty-third Congress convened April 7, 1913, and on April 15 following a bill embodying the amendments suggested by the House Military Committee in the hearings held in May, 1912, was introduced in the Senate (S. 1032) and a subcommittee was appointed for its consideration. This subcommittee reported the bill to the full committee on February 6, 1914, with 15 amendments, and on the same date the full committee reported the bill as thus amended to the

Senate. The bill, as amended by the committee and with three additional amendments proposed during this discussion, was passed by the Senate on February 9, 1914, and went to the House, where it was referred to the House Military Committee, but that committee has not found it practicable to give the Senate measure its consideration, nor does it seem probable that it will be able to do so during the present session of Congress. It is expected, however, that the Senate bill will receive final consideration of the House during the session of Congress which will convene in December next.

RECENT ENACTMENTS.

During the past two years there have been enacted by Congress certain laws affecting more or less directly the administration of military justice. The execution which each has received is noted below:

1. The act of August 22, 1912 (37 Stat., 356), to amend sections 1996 and 1998, Revised Statutes, so as to provide that the loss of citizenship rights shall not follow a conviction of desertion in time of peace and authorizing the remission by the President of the loss of citizenship rights theretofore imposed by law for peace desertion whenever such remission will not be prejudicial to the public interest. Practically all deserters sentenced before the date of this enactment and at that time in custody became applicants for the relief provided by the statute, and prison commandants and post commanders were instructed to forward their applications with their recommendations shortly prior to expiration of sentence. There was a much larger class of beneficiaries of the act who had served their sentences and had been released. Applications came in from this class as the beneficial provisions of the law became known. In dealing with all applications received the War Department adopted the policy of granting remission, except in cases where deserters had also been convicted of felonies, or where their conduct during or after release from confinement had been unsatisfactory. The execution which the statute has received is shown in the following table:

	1913.	1914.
Applications received	321	743
Applications granted	307	705
Applications refused	14	38

The same act also amended section 1118, Revised Statutes, and section 2 of the act of August 1, 1894, so as to provide that desertion and the discharge from a preceding term of enlistment where the service had not been honest and faithful should not prevent the reenlistment of such deserter or soldier if, in view of good conduct subsequent to such desertion or such service, the reenlistment be authorized by the Secretary of War. The execution which this statute has received is as follows:

	1913.	1914.
Reenlistments authorized	22	207
Effected	6	93
Subsequently deserted	1	5

Comparatively few of these reenlistments were of men who had had the training in disciplinary organizations now maintained at

the main prison at Fort Leavenworth, Kans., and at Castle Williams, Governors Island, N. Y. For this reason the number who fail to serve faithfully under their reenlistments will not furnish a reliable test of the value of that training in reclaiming men to the colors. The test of that training will be found in the record made by men who have been reenlisted after discharge from the disciplinary organizations, or by men restored to complete their term of enlistment from such organizations.

2. *The act of August 24, 1912* (37 Stat., 572), providing that no officer or enlisted man in active service who shall be absent from duty on account of disease resulting from his own intemperate use of drugs or alcoholic liquors or other misconduct, shall receive pay for the period of such absence. The Quartermaster General's Department, at the request of this office, assembled the data of the amount of pay withheld under the authority of this legislation for the quarter January-March, 1914, showing a total amount for this quarter of $14,907.06. This would indicate an annual saving to the Government under this statute of something over $50,000.

3. *The act of April 27, 1914* (Public, No. 91, 63d Congress), providing that an enlistment shall not be regarded as complete until the soldier shall have made good any time in excess of one day lost by unauthorized absence on account of disease resulting from his own intemperate use of drugs or alcoholic liquors or other misconduct, or while in confinement awaiting trial or disposition of his case, if the trial results in conviction, or while in confinement under sentence. This legislation is really an extension of the act of May 11, 1908, requiring soldiers to make good time lost during an enlistment period by unauthorized absence exceeding one day. Incomplete data collected in six regiments and covering the half year period ending June 30, 1914, show an average of only 298⅓ days per regiment made good under said act of May 11, 1908. This number of days ought to be greatly increased when there is added time lost while in confinement awaiting trial, if trial results in conviction, and for the other causes enumerated under the more recent act of April 27 of this year. As the latter act applies only to enlistments made after its date, it has had at the date of the writing of this report a very limited application which has not been revealed in official returns thus far received. The principle of both acts is the same, namely, to insure that an enlistment contract for a fixed term shall be kept by the soldier in terms of honest and faithful service, and good results to the service are expected to flow from their enactment.

The further provision of this act respecting suspension of sentence of dishonorable discharge, with a view to remission thereof and restoration to the service, if conduct and progress made in military training undergone in our disciplinary organizations during confinement justifies, has been in force too short a time to judge of the efficacy of this legislation.

4. *The act of August 24, 1912* (37 Stat., 575), authorizing the detail of enlisted men as stenographic reporters for courts-martial, courts of inquiry, military commissions, and retiring boards and providing extra compensation for such services. This provision was enacted in the belief that competent stenographers could be found among the enlisted men who would perform a substantial amount of

the stenographic work necessary in recording the proceedings of boards, courts, commissions, etc.; or that a competent enlisted personnel, if financially rewarded in the way this act proposed, would be developed in our service, and that substantial economies would result. Reports submitted by department judge advocates show that but $200.99 was paid to enlisted men as such reporters during the fiscal year ending June 30, 1913, and but $54.07 for the fiscal year covered by this report. The results thus far attained are therefore not encouraging.

5. *The act of March 2, 1913* (37 Stat., 704), amending the Articles of War in respect of the composition, constitution, and jurisdiction of courts-martial. In respect of the general court-martial the act extended the authority to convene such courts to certain officers not theretofore vested with such authority, notably to the commanding officer of a tactical division and, when empowered by the President, to the commanding officer of any district or of any force or body of troops. It was the effect of other provisions of the act to make ineligible to sit as member of either a general or special court any officer who is the accuser or a witness for the prosecution; to take away from the soldier, except a noncommissioned officer, the right he had under preexisting law, by objecting to trial by a summary court, to limit the power of that court to punish in his case to one month's confinement and forfeiture; and to abolish the regimental and garrison courts, substituting for them a new court, called the special court, with punishing power limited to six months' confinement or six months' forfeiture, or both. The act took effect July 1, 1912, and we have had, therefore, one complete year in which to observe its effects.

Under the authority of this act the commanding officer of the Second Division at Texas City, Tex., and of the expeditionary forces at Vera Cruz have convened general courts-martial for their respective commands. In a few instances the provision of this law making an officer ineligible to sit as a member of the general or special court when he is a witness for the prosecution has been disregarded, necessitating the setting aside of the proceedings as null and void. The procedure of the summary court was not materially affected by the act, and it has proceeded to function as heretofore, except in the regard above noted, that its jurisdiction to punish with three months' confinement at hard labor and forfeiture of pay for the same period is no longer obstructed by an objection of an accused.

The special court had its origin in a recommendation submitted from the First Division, Eighth Army Corps, during the field operations in northern Luzon in 1899. Great difficulty was experienced under the conditions of field service then obtaining in promptly disposing of a large number of disciplinary cases, too grave to be tried by summary court with its limited power of punishment. In the recommendation then submitted it was said:

> Charges too serious to be properly sent before a summary court are lodged against men, but because of the difficulty of bringing them to trial (by general court-martial) this is delayed until the cases are nearly or quite forgotten by those cognizant of the facts, and all the salutary disciplinary influence resulting from prompt trial is lost. It will always be necessary to try the really graver charges by general court-martial. This institution must therefore be preserved, but between the cases that can appropriately be tried by summary

court and those that must be referred for determination to general courts lie those that are more numerous than the latter, and for which a maximum punishment, say of six months' confinement and forfeiture of six months' pay, would be adequate and proper; it is for the prompt trial of the last class of cases mentioned that the new court should, it is respectfully submitted, be authorized by law.

And it was so represented by the department to Congress when the enactment of the legislation authorizing the special court was requested. It was contemplated, of course, that the new court would, in practice, try many cases theretofore sent before a summary court because conditions made it impracticable to convene a general court; but it was expected that by far the larger number of cases tried by special court would be of that class of cases which had theretofore been tried by a general court but in which disciplinary sentences were ordinarily imposed.

The extent to which this expectation has been realized is revealed in the following statistics of the past year. The total number of trials by general courts-martial during the year has been 4,572, as against 5,209 for the fiscal year 1913, a reduction of 637. The total number of trials by summary court has been 36,856, as against 39,795 for the fiscal year 1913, a reduction of 2,939. The total number of trials by special court has been 1,953, as against 284 trials by garrison and regimental courts during the fiscal year of 1913, an increase of 1,669. The total number of trials by general, special, and summary court for the year is 1,907 less than the total number of trials by general, garrison, regimental, and summary courts for the fiscal year of 1913.

The reports received to date indicate that in about one-third of the cases tried by it the special court has imposed punishment within the punishing power of the summary court, and that in the remaining two-thirds of such cases the punishment imposed has exceeded the limit for summary courts. This fact, together with the statistics above given, indicate that the new court is finding the place in our Army judiciary it was expected to fill, namely, a court for the trial of the graver offenses against the discipline of the Army, too grave for disposition by summary courts and yet without the gravity which called for dishonorable discharge. The most marked encroachment upon the jurisdiction of the general court is found in the trial by special court of a considerable number of desertion cases, particularly in the Southern Department. This office is disposed to regard with favor this practice as a proper substitute in many cases for restoration to duty without trial, as authorized by Army Regulations.

THE DETENTION-BARRACKS SYSTEM.

The initial suggestion of this office that a detention-barracks system be established, and an outline of the more essential features of such a system, were submitted for the consideration of the department after a special study of our military prison system begun in 1911, and in connection with the report of an inspection of the main prison at Fort Leavenworth, Kans., made in September of that year. At the date of this inspection there were confined in the main prison 940 prisoners. A classification of these prisoners according to the

nature of their offenses, the first of the kind that had been attempted, showed:

Prisoners convicted of military crimes only	667
Prisoners convicted of military crimes in connection with common-law and statutory crimes	195
Prisoners convicted of common-law and statutory crimes only	78
Total	940

As the Pacific branch at Alcatraz, Cal., and the Castle Williams prison at Governors Island, N. Y., were administered along the same lines, it was assumed that if the entire prison population of the three prisons was classified the proportion of military offenders to felons and misdemeanants would not vary materially from that above set forth. The average age of prisoners at enlistment was closely estimated at 23 years and their average age at commitment at 25 years. The statute law applicable to the military prisons was not substantially different from that under which Federal penitentiaries were administered. Successive editions if military prison regulations had interpreted these statutes in this sense, and in practice the daily régime of punishment and hard labor enforced at the military prisons did not differ from that enforced at the penitentiaries. The inmates of both institutions were undergoing the same kind of penal servitude. A comparison of criminal statistics covering the 25-year period during which the military prison and its branches were available for the confinement of military prisoners with the statistics of the 10-year period that these military prisoners were not so available failed to show any appreciable deterrent effect due to the penal servitude enforced at these prisons. As the first step toward betterment it was recommended that the prisoners convicted of offenses against the discipline of the Army be segregated in their confinement from those convicted of crimes of moral turpitude. This recommendation was carried into effect in December and January following. In closing the report it was suggested that further betterment would lie in the direction of converting the main prison into a detention or disciplinary barracks, and amendments of our prison legislation necessary to make this conversion complete were proposed. Later, April 19, 1914, these amendments were drafted in legal form and their enactment requested of Congress.

It having become evident that there would be considerable delay in securing the enactment of the amendatory legislation recommended, the Secretary of War, to the end that the department might enter at once upon a trial of the detention-barracks system and test its adaptability to our service, directed that it be inaugurated at once in so far as existing law would permit. In pursuance of this direction, General Order No. 56, War Department, September 17, 1913, was issued. This order authorized for Castle Williams one disciplinary company, organized as infantry, with the proper complement of officers and noncommissioned officers detailed from the Army at large, and of a minimum strength of 56 and a maximum strength of 84 general prisoners; and of four such companies, organized as a battalion, and a band, at Fort Leavenworth. It prescribed a rigid course of intensive practical military instruction and training, to which one-half of each working day was devoted, the remaining one-half being given over to hard labor. Schools, including those of

a vocational character, were established, and diligent and systematic effort was made to instill in the minds of prisoners admitted to these organizations a proper conception of an engagement for military service, a desire to return to the colors and redeem their records by earning an honorable discharge, and to make them efficient soldiers from the moment of rejoining.

Two methods of resuming service relations are open to members of these organizations, one by reenlistment for the full statutory term and the other by a simple order of restoration to serve out uncompleted terms. This order of restoration is issued under the authority of section 1352 of the Revised Statutes, which provided, inter alia, that—

> The Secretary of War is authorized and directed to remit, in part, the sentences of such convicts and to give them an honorable restoration to duty in case the same is merited—

a statute which the Secretary of War held to be applicable to prisoners who were under sentence of executed dishonorable discharge and confined in the main prison or its authorized branch. Reenlistments and restorations are confined to men who have satisfactorily completed the course of instruction in the disciplinary organizations.

The first of the disciplinary companies at the Fort Leavenworth prison was organized October 14, 1913, and the last December 10, 1913; the band on November 14, 1913. No reenlistments or restorations were authorized at this prison until March of 1914. In that and succeeding months of the fiscal year ending June 30, 1914, 145 men about to be discharged from their confinement applied for authority to reenlist, and 62 of these applications were granted. Reenlistments at the prison were authorized by orders of the Secretary of War dated August 26, 1913, but only 6 prisoners have taken advantage of this authority. Practically all prisoners there confined who have been granted authority to reenlist have elected to take a short period of freedom before engaging again for military service. How many of them have taken advantage of their authority to reenlist is not revealed by reports received. The statistics here given respecting reenlistment are included in the table of reenlistments on page 5 of this report.

Restorations have taken place at this prison as follows:

	March.	April.	May.	June.	July.	August.	Total.
Total restored	3	4	20	12	9	3	51
Deserted				1			1
Discharged without honor				2			2

The procedure of restoration is as follows: The instruction of the applicant begins in the fourth company of the battalion, and in that company comprises preliminary training. If the results attained in that company are satisfactory, the applicant is transferred to either the first, second, or third company of the battalion, and when he has acquired proficiency in the training provided in these companies he may make written application for restoration through his company commander to the battalion commander. The next step is to communicate with the applicant's former organization commanders in-

forming them as to the man's record while under instruction in the disciplinary organizations and requesting an opinion as to the likelihood of the applicant making good if restored, either in his former organization or in some other. All information elicited in this way, together with the man's record, including record of his trial furnished by this office, is sent to a board, which reports its conclusions to the commandant, who forwards the application with his recommendation for the consideration of the Secretary of War. The restored men are held at the prison in a probation status for a period not exceeding three months.

Practically all of the candidates for restoration have considerable sums charged against them, mainly on account of uncollected forfeitures, clothing overdrawn, or rewards paid for apprehension. The average for the men thus far restored has been $40.32. This sum is, of course, reimbursed the Government by the restored man by stoppage against his current pay, but in order that he may not be forced to borrow money for his necessary expenses the reimbursement is made in monthly installments of at least one-third of his pay.

While 51 prisoners had been restored to duty, as stated above, previous to September 1, 1914, only 24 had as yet been transported from the prison to military posts, and it is upon these 24 that statistics of cost must be based. The cost of the transportation to their homes, to which they would have been entitled had they served out their prison sentences, amounts to $456.18. The amount actually paid, however, in sending them to their stations, was only $438.31, representing a saving to the United States of $17.87. The exact cost of the clothing issued gratuitously to these particular men can not be stated, but charging them with their proportionate share of the amount expended on all those (51) restored, we may fix this item, without material error, at $440.45. As a partial offset to this we must take the amount that would have been paid out on their release from confinement for civilian clothing and donation, $15 per man, or, for the 24, $360, leaving a net loss of $80.45. From this it would appear that the cost to the Government has been $80.45 minus $17.87, or $62.58, only $2.61 per man. But in this connection we must consider the reimbursement to the Government of indebtedness of restored men at the date of dishonorable discharge noted (supra), all of which is recovered if the prisoner is restored to duty and serves out his enlistment, otherwise it is lost. Taking this amount into consideration, $40.32 per man, the saving to the Government through restoration is nearly $38 per man, and represents a total financial gain in the case of the 24 men restored of $905.10, under the assumption that all complete honorably the enlistments to which they are restored. The statement ignores the special expenses to which the Government was subjected in connection with the trial of these men and their transportation to the prison, and likewise the travel pay which they will be entitled to upon completing the uncompleted term of enlistment to which they are restored. If these were included we would be entitled to offset against them the expenses incident to inducting a recruit into the service and the travel expenses to which he would become entitled upon discharge.

The table above set forth shows a loss of three of these restored men, one by desertion and two by discharge without honor on account of misconduct while on pass. These losses occurred during the

probation period that the men were retained at Leavenworth. They mean mistakes of judgment in restoring these men, the number of which will grow less with experience.

The prison was inspected by Lieut. Col. David C. Shanks, inspector general, May 2 to 14, 1914. At this time the detention-barracks system had been in operation about six months. Regarding the change in administration and the results attained under the new system, Col. Shanks remarks:

> It goes without saying that the life now led by members of the disciplinary battalion marks a wide departure from that which formerly fell to the lot of all prisoners.
>
> There is one respect in which there has been notable improvement since my visit to the prison last December. At that time there were fairly numerous complaints, some of which I deemed well founded, of mistreatment and abuses received by prisoners at the hands of noncommissioned officers and privates of the prison guard. During the present inspection I went through all of the prison rooms, asking each man whether he had any complaint. I did not receive a single complaint on account of any kind of abuse or physical violence. There were a few—very few—complaints of minor character, nearly all of which could be adjusted or explained on the spot.
>
> The attitude of the present commandant is so decidedly against any kind of abuse, his investigation of complaints is so thorough, that I believe it safe to say there will never be any well-grounded allegations of cruelty or abuse while he remains in command. There are provisions by which each prisoner at certain specified hours may see the commandant. Each prisoner therefore has opportunity of laying any well-founded grievance before the highest authority at the prison.

Respecting the instruction given to members of the disciplinary battalion, he says:

> A large part of the morning—from 7 to about 10.15—is devoted to military instruction. I was present at battalion parade and on several occasions observed the companies at drill. The drill of the companies in the close-order movements is remarkably good. The companies have not as yet received any other training than such as can be imparted on the ordinary drill ground. The questions of field training and target practice were in abeyance at the time of my inspection. Gallery practice had been conducted in a very thorough and systematic manner in the basement of one of the buildings. So far as the instruction has progressed I regard the showing made by these companies as excellent. * * *
>
> Notwithstanding these shortages [in noncommissioned officers], the drill and instruction of the battalion as far as it has gone is excellent. This instruction does not as yet include target practice nor field training. But in such exercises as can be held upon the drill ground this battalion now makes a showing better than that of the average Infantry battalion.
>
> Ninety-five per cent of this battalion volunteered for active service during the acute phase of the Mexican situation.

Since the date of Col. Shanks's report, the instruction has been extended to include target practice on the Fort Leavenworth range. One hundred and sixty-three men of the battalion were considered prepared to be put through the special course "A." The result was 41 marksmen, 79 first-class, 34 second-class, and 9 unqualified. So far as can be ascertained, only 36 men held a previous qualification of any kind.

The detention-barracks system is in its inception. As to its success, from the point of view of the men and their future, and the general interests of society, there can be no question. The changes made and the greater consideration shown the individual prisoner are parts of the great advance in the general subject of prison reform effected in recent years. Any adherence to the old treatment and

methods would have isolated our military-prison system, and for this reason alone the abandonment of the old régime was a necessity. The success of the new system, from the point of view of the military service, will depend upon records made by prisoners who are returned to the colors, either by reenlistment or restoration. It is too early as yet to predict success, although the progress made thus far is distinctly encouraging. I think the new system will be justified before the service if even a small percentage of the inmates of the prison are returned to the colors and render satisfactory service. It is the part of wisdom, I think, to make progress slowly for the present; but I do not doubt that the rate of restoration of prisoners can and will be doubled in the six months' period commencing January 1, 1915.

Castle Williams has recently been designated the Atlantic branch of the United States military prison, and by virtue of this designation the laws respecting restoration will become operative there. It is understood that there are 25 applicants for restoration in the single company which was organized there on January 16, 1914. It is my purpose to recommend the inauguration of the detention-barracks system at the Pacific branch at an early date.

DELAY IN GENERAL COURT-MARTIAL TRIALS.

The average period of delay between the arrest of a soldier under charges and his entry upon the execution of his sentence has been made the subject of comment in the last two annual reports. Statistics have been again compiled for the fiscal year of 1914, and a comparison between them and those of the two preceding years is set forth below. No statistics are available for prior years.

1912.	Days.	1913.	Days.	1914.	Days.
Eastern division	48	Eastern department	47	Eastern department	42
Central division	48	Central department	48	Central department	45
Western division	44	Western department	40	Western department	41
Philippine division	25	Southern department	44	Southern department	39
		Hawaiian department	36	Hawaiian department	32
		Philippine department	38	Philippine department	30
		Second division	28	Second division	30
		Vera Cruz detachment	--	Vera Cruz detachment	18
		West Point	--	West Point	25

I am convinced that the service generally does not associate such prolonged average periods of delay with the trial of general court-martial cases. Earnest efforts have been made at all headquarters exercising general court-martial jurisdiction to abridge these periods, but the problem how to do so is still unsolved. One cause of delay, perhaps, the main one, arises in the taking of depositions. This led to a modification of procedure so as to authorize depositions to be sent direct to a post commander where the witnesses are at or near a post, thus avoiding the loss of time occasioned by sending them through regular channels. We shall know more of the efficacy of this modified procedure when the statistics for another fiscal year are available.

Another cause of delay is, I am convinced, incident to the existing practice of forwarding charges to department headquarters for reference to trial courts. I have considered the advisability of recommending direct reference by post and other commanders, but have been deterred from doing so by the reported large percentage of charges which come up from posts and regiments in such defective form as to necessitate revision at department headquarters. For the past three fiscal years (1912–1914) these percentages have been, respectively, 37, 38, and 50. In other words, during the fiscal year covered by this report one-half of the charges received at department and division headquarters have required amendment before reference for trial. Such a showing is not easily understood in view of the fact that in a majority of cases, perhaps, the preferring of charges involves nothing more than following a prescribed form. This is a defect which should receive prompt attention by department commanders and others having authority to convene general courts.

DESERTION.

The number of reported desertions during the fiscal year, 1914, is 3,882, or 3.1 per cent of the whole number of enlistment contracts in force during the year, as against 4,451 desertions and a percentage rate of 4.15 for last year. The percentage rate 3.1 is lower than the average for any preceding 10-year period that can be selected.

I find upon investigation that there are included in the 3,882 reported desertions for the year, 228 cases in which the charge of desertion was removed as erroneous, one case in which there was an acquittal, and 581 cases in which the soldier was convicted of the lesser and included offense of absence without leave, making a total of 810 cases classed as desertions, but which were subsequently determined not to be desertions. Subtracting this number from the reported desertions, we have 3,072 actual desertions from the Army during the year, which is only 2.45 per cent of the total number of enlistment contracts in force during the year.

I find further that the error of including in the list of reported desertions the cases of those soldiers acquitted or convicted of the lesser and included offense of absence without leave, or against whom the charge had been removed, affects the desertion statistics of the Army for previous years in varying degree, as shown in the following table:

Year.	Desertions reported.	Charges unsustained.	True number of desertions.	Reported percentages.	True percentages.
1909	4,993	311	4,682	4.97	4.66
1910	3,464	696	2,768	3.66	2.92
1911	2,504	380	2,124	2.28	1.93
1912	3,411	560	2,851	3.00	2.50
1913	4,451	871	3,580	4.15	3.34
1914	3,882	810	3,072	3.10	2.45

I have not carried my investigation further back than the fiscal year of 1909. Presumably the error similarly affects desertion statistics for previous fiscal years. The fact that any correction in reports for the future would make impossible a comparison of

statistics with past years is not, I think, a sufficient excuse for continuing the practice of including in the list of deserters men who are not guilty of that offense. I recommend that instructions issue to eliminate this error from statistics compiled in the future.

This office has made a special study during the past year of desertion. I submit herewith a chart giving the results of that study, hoping that it may be scrutinized by officers of the line and some substantial advance be made in solving this, our most important problem. The chart exhibits graphically the percentage of deserters to the total number of enlistment contracts in force for each fiscal year from 1830 to 1914, inclusive. Parallel columns, integrating with the curve, show for the period covered by the chart (*a*) enlistment periods, (*b*) monthly rates of pay for private soldier, (*c*) rewards paid for apprehension, (*d*) congressional action to limit and control desertion, and (*e*) departmental action to the same end. While positive conclusions as to the causes of desertion can not be drawn from the data assembled on this chart, it will, I think, be effective to eliminate from further discussion a great many commonly assigned causes. My study of the general subject convinces me that it is not practicable for either the Congress or the department to do much more than they have already done by way of mitigating service conditions as a means of limiting and controlling desertion rates, and that the causes of desertion lie mainly outside the service.

CONFINEMENT OF MILITARY PRISIONERS IN PENITENTIARIES.

Under the provisions of the ninety-seventh article of war it is permissible to designate a penitentiary for the confinement of military offenders convicted of offenses punishable by penitentiary confinement by some statute of the United States, or by some statute of the State, Territory, or District in which such offense may have been committed, or where the common law, as the same exists in such State, Territory, or District, subjects such offender to such punishment. The United States Penitentiary at Leavenworth, Kans., is habitually designated in orders as the place of confinement in this class of cases. But 13 prisoners convicted by general court-martial were confined there on June 30, 1913, the close of the last fiscal year. The policy prior to that date was to exercise this authority only in case of the gravest felonies. General Order No. 56 of September 17, 1913, emphasizing and extending the directions of General Order No. 172 of 1911, inaugurated a change in this policy. It was announced in the former order that it was the policy of the War Department to separate, as far as practicable, general prisoners convicted of offenses punishable by penitentiary confinement from general prisoners convicted of purely military offenses, or of misdemeanors in connection with purely military offenses. In furtherance of this policy it was suggested to reviewing authorities that they designate a penitentiary as the place of confinement of general prisoners sentenced to be confined for more than one year upon conviction of offenses so punishable under the law of the place. An exception was made in individual cases in which the proved circumstances showed that the holding of the prisoner so convicted in prison association with misdemeanants and military offenders would not be to the detriment of the latter.

During the year covered by this report the number of military convicts received at the United States Penitentiary was 63. During the year 3 were released, 5 were paroled, and 12 were transferred. Fifty-six military prisoners were confined in this penitentiary on June 30, 1914. During the year 16 general prisoners were confined in the Bilibid Penitentiary.

MARINE CORPS.

By authority of the President, the force of Marines in Vera Cruz, Mexico, was detached for service with the Army April 27, 1914. The average strength of the detachment so serving was 121 officers and 3,124 enlisted men. During the period from the date of their detachment to June 30, 1914, there were 7 enlisted men tried and convicted by general court-martial, 16 tried and convicted by special court-martial, and 419 tried by summary court-martial, of whom 416 were convicted and 3 acquitted.

* * * * * * *

E. H. CROWDER,
Judge Advocate General.

The SECRETARY OF WAR.

REPORT OF THE QUARTERMASTER GENERAL.

WAR DEPARTMENT,
OFFICE OF THE QUARTERMASTER GENERAL,
Washington, September 8, 1914.

SIR: I have the honor to submit the annual report of the operations of the Quartermaster Corps for the fiscal year ending June 30, 1914.

* * * * * *

SUPPLIES.

Supply troops at Galveston, Vera Cruz, and Texas border.—Due to the concentration of the Second Division of the First Field Army at Galveston, Tex., and Vera Cruz, Mexico, and certain other troops along the Texas border, large quantities of subsistence supplies, clothing and equipage, and miscellaneous supplies were furnished from stock on hand or purchased for their equipment and regular supply. All requisitions in connection with these troops were promptly acted on and shipments expeditiously made to the points where required. The system of supply and replenishment prescribed in instructions of the Chief of the Quartermaster Corps of March 12, 1913, with St. Louis as the source of replenishment and Galveston as the point of supply for Vera Cruz, worked easily and automatically and appear to have met all requirements.

Large numbers of Mexican prisoners and internes (including women and children) at various points—El Paso, Tex., Fort Wingate, N. Mex., and Fort Rosecrans, Cal., Fort McIntosh and Brownsville, Tex.—were also subsisted and cared for. At first the regular ration, costing about 25 cents, was issued to them, but later on a special ration was issued, costing not to exceed 18½ cents for adults and all

children over 12 years, while for children between 5 and 12 years the ration allowance was fixed at one-half of the regular authorized allowance of 18½ cents.

Relief of flood sufferers in Texas.—Early in December, 1913, the Brazos River in Texas overflowed and caused floods through the surrounding country. On the morning of December 7, in compliance with instructions from the Chief of Staff, the depot quartermaster at Galveston proceeded to Bryan, Tex., where a serious condition existed, as also did Lieut. Brown, stationed at the Agricultural and Mechanical College of Texas, College Station, Tex.

In order to supply the urgent needs of the sufferers thereabouts, purchases of subsistence supplies were immediately made at Bryan. Also a relief train was ordered from Galveston, and this train reached the flooded districts during the evening of the 8th. The quantities of subsistence stores, tents, etc., aboard were adequate for the relief and comfort of those rendered destitute.

The lower reaches of the river were also soon after involved. Subsistence supplies and clothing and equipage were then ordered to places where needed, and by the 15th of December, due to the effective work of the officers and enlisted men, conditions generally were such that local resources and assistance were able to cope with them.

The subsistence stores, clothing, and equipage issued for the relief of the destitute, together with other incidental expenses, such as the transportation of the supplies, mileage for the officers and the men, and the labor connected with the loading of the relief train, were as follows:

Subsistence of the Army	$7,793.98
Clothing and camp and garrison equipage, 1914	1,796.41
Transportation of the Army and its supplies, 1914	59.65
Mileage, 1914	59.67

There is submitted below in detail data with regard to the operations of the respective branches of the supplies division.

SUBSISTENCE SUPPLIES BRANCH.

Statement of issues made during the fiscal year 1914.

[Estimate from actual expenditures for nine months.]

Garrison, travel, haversack, and trail rations (30,124,189), average cost 24.3982 cents	$7,349,831.84
Filipino ration (1,947,525), average cost 15.6740 cents	305,256.28
Issued to Indian prisoners of war	2,291.38

Number, value, and average cost of rations by geographical divisions, etc., issued during the fiscal year 1914.

Division.	Number of rations.	Value.	Average cost (cents).
United States (includes Canal Zone)	23,031,352	$5,594,617.48	24.29
Alaska	388,233	142,101.96	36.60
Hawaii	2,564,920	639,397.60	24.93
Philippines (American)	4,139,684	973,714.80	23.52
Total average cost (American)	30,124,189	7,349,831.84	24.40
Philippines (native)	1,947,525	305,256.28	15.68
Canal Zone	370,699	114,657.45	30.91
Transports (6 months only)	174,324	46,175.06	26.48

Average cost of the ration with and without transportation.—The average cost of the actual food included in the garrison ration (American) during the fiscal year 1914 was as follows:

	Cents.
At all posts or stations in the United States (includes Alaska and Hawaii)	24.5381
At all posts or stations in the Philippines	23.5214
At all posts or stations in the United States and Philippines	24.3982

The cost of transportation charged on subsistence supplies was $248,021.42. Charging this amount to the total cost of the garrison ration issued, it gives for the fiscal year 1914 an increased cost for each ration of 0.8139 cents, thus making the cost of the garrison ration delivered, including food and transportation, as follows:

	Cents.
At all posts or stations in the United States	25.3520
At all posts or stations in the Philippines	24.3353
At all posts or stations in the United States and Philippines	25.2121

Statement showing the yearly and per diem cost of subsistence per man in the United States and Philippines.

	Number of rations.	Daily average number of men.	Net cost.	Average cost per year.	Average cost per diem. (cents).
Cost in the United States	25,984,505	71,190	$7,903,672.71	$111.03	30.42
Cost in the Philippines	6,087,209	16,677	1,470,878.22	88.18	24.16

The above gives the expenditures made in the United States and Philippines, respectively, from the appropriation "Subsistence of the Army, 1914," and includes cost of rations issued, commutation of rations of all kinds, meals, and net losses of stores, which indicates the actual cost per man per day in the United States and Philippine Islands.

LOSSES.

The following losses occurred during the year, and are based on the losses for nine months:

Ordinary wastage and losses in issue and transportation	$18,550.01
Deterioration of stores from climatic causes, etc	99,843.35
Theft and fire	247.59
Total	118,640.95

Frozen fresh beef.—At the close of April, 1914, arrangements were made looking to the supply of a cargo of frozen beef to be stored on the transport *McClellan*, which was to be transformed into a refrigerator ship and used for the supply of troops at Vera Cruz. The beef with which the troops had at first been supplied was procured from the naval vessels in Mexican waters, until it was impracticable for the Navy to supply it, when the beef supply was procured by the purchase of Mexican cattle at Vera Cruz, Mexico.

Under instructions from this office, an advertisement was duly issued by the depot quartermaster, Chicago, for 2,000,000 pounds of frozen fresh beef, for which bids were received and award made. However, before the final award of the beef, it became necessary to reduce the quantity to be accepted from 2,000,000 pounds to 1,200,000

pounds, as it was found later that the refrigerating capacity of the *McClellan*, which had been sent to New York for final repairs, would not justify a larger quantity. Accordingly, approximately 1,200,000 pounds were provided, and the *McClellan* took on the cargo and sailed direct for Vera Cruz on July 20, 1914.

Change of specifications for fresh beef. Under instructions from the Secretary of War a change was made in the specifications for fresh beef, by which steer meat only was to be provided and of a minimum carcass of 500 pounds. The change was due to complaints received from troops as to the quality of the fresh beef furnished under the existing specifications, which permitted the delivery of cow meat and a minimum weight of carcass of 450 pounds; cow meat, however, was inspected and passed by the meat inspectors of the Agricultural Department, the same as other meats.

Changes in Army rations. In order to conform to the Field Service Regulations, 1914, and the Tables of Organization, 1914, the following changes in Army rations were recommended under date of May 7, 1914, and published in Executive order of May 13, 1914 (Bulletin 21, War Department, May 28, 1914):

The designation "Haversack ration" was changed to read "Reserve ration."

A field ration was added, as follows:

The field ration is the ration prescribed in orders by the commander of the field forces. It consists of the reserve ration, in whole or in part, supplemented by articles of food requisitioned or purchased locally or shipped from the rear, provided such supplements or substitutes correspond generally with the component articles or substitutive equivalents of the garrison ration.

A change was also made in paragraph 1220, Army Regulations, 1913, with regard to savings, which provided that—

When on the march in time of peace, a daily issue of rations will be made in the manner prescribed in the Field Service Regulations for time of war. The ration to be issued to troops on the march in time of peace will be prescribed by the commander and will not exceed the allowances prescribed for the garrison ration.

In time of peace the ration-savings privilege will be suspended for troops on the march, except that when so ordered by the commander the savings privilege will be allowed on certain specified articles of the ration.

Upon arrival of troops at mobilization or concentration camps the ration-savings privilege will be suspended and entirely replaced by issue of rations in kind. This same restriction also applies during the period of field operations.

Emergency ration.—The Bureau of Nutrition Investigations, Department of Agriculture, under date of July 9, 1913, submitted an unfavorable report on digestive experiments conducted by that bureau with the United States Army chocolate emergency ration. In view of such unfavorable report the Secretary of War directed that no further emergency rations of the present type be purchased; that the use of the present supply be limited to cases of real emergency; and that steps be taken immediately by the Chief of the Quartermaster Corps and the Surgeon General to provide an emergency ration of the type best adapted to the needs of our service and when this was done to submit the matter to the Chief of Staff for further consideration.

On November 7, 1913, instructions were issued from the Office of the Adjutant General to all department commanders and the commanding general of the Second Division directing that the use of the present supply of emergency rations be limited to cases of real emergency.

The matter was then taken up officially with Dr. Langworthy, of the Bureau of Nutrition Investigations, who was requested to keep in view the following facts in the preparation of the emergency ration:

(*a*) The rations should not exceed 12 ounces gross.

(*b*) Should be of convenient shape to carry on the person.

(*c*) Should contain all the elements necessary to sustain life and energy for from 24 to 36 hours.

(*d*) Should require no cooking.

(*e*) Should be obtainable in large quantities on short notice.

(*f*) Should keep for a considerable period without deterioration.

The services of Q. M. Sergt. Francis Bangert, an expert baker on duty at Washington Barracks, were placed at the disposal of Dr. Langworthy to assist him, and the quartermaster at Washington Barracks was authorized to supply a limited quantity of subsistence stores for experiments.

Several recipes were formulated and experiments made with them, and 100 rations of the recipe that appeared to be the most satisfactory were procured and sent in April last to Dr. Langworthy, but no further information on the subject has, up to the present time, been received.

Dehydrated vegetables.—This is a form of vegetable from which, by certain process, the water has been extracted. After soaking and cooking, the vegetable closely resembles the fresh product, and also as to taste and quality. This new form of treating vegetables makes them somewhat like the old desiccated vegetables in use in the Army in previous years, but superior in quality and flavor.

During the years 1898 and 1899 the difficulties experienced in shipping fresh vegetables to the Philippines suggested the use of desiccated vegetables, which at that time were extensively used by miners in Alaska and other remote mining regions.

Considerable quantities of desiccated potatoes and onions were purchased for the Philippines, and on occasions were issued to the troops in lieu of the fresh articles. There was such a general prejudice against these vegetables that the Subsistence Department was left with a large stock on hand, which eventually became a loss. The fresh vegetables are now dehydrated under a new and improved process, and the quality has been much improved. Very satisfactory reports have been received from tests made with these vegetables at Washington Barracks and at Galveston and Texas City.

As 1 pound of dehydrated potatoes equals about 6½ pounds of the fresh and 1 pound of dehydrated onions equals about 12½ of fresh onions, the saving in transportation in shipment of these vegetables for a large command would be enormous, and it would appear desirable to adopt these vegetables for use in the field if it can be shown that they have sufficient merit to recommend themselves to the troops.

The dehydrated products consist of beans, carrots, corn, onions, beets, potatoes, tomatoes, turnips, etc. As potatoes and onions are the principal fresh vegetables used by the Army, it was considered advisable to make a practical trial of these new products with troops actually in the field, for these products would derive additional value as a food element in subsisting troops in case of war and when conditions were such that fresh or canned vegetables could not be supplied.

Therefore 20,000 rations of potatoes and 5,000 rations of onions were procured and forwarded to the Second Division for a thorough test in the field by the troops. This will make the trial conform as nearly as practicable to conditions which would exist in actual campaign.

Field bread.—It has been found necessary to revise Circular 5, Office of the Commissary General, 1911, on the subject of field bread, because of the additional experience in the manufacture of field bread since the publication of the circular referred to and especially for the reason that experiments have been made to ascertain the cause and means of prevention of "rope" in bread.

"Rope" is a disease of which little is known; but after from 6 to 48 hours from baking, the bread affected develops a moist, dark, sticky center, which after a short time involves a larger area and gives the loaf the appearance of being soaked in poor molasses. The bread has a disagreeable odor and the affected area can be pulled into strings and threads—hence the name "rope." The matter of treating the disease is fully dealt with in the revised or latest form of circular.

Sales of subsistence supplies to Navy and Marine Corps.—The following proviso is contained in the act of April 27, 1914:

That the officers and enlisted men of the Navy and the Marine Corps shall be permitted to purchase subsistence supplies at the same price as is charged the officers and the enlisted men of the Army; and the officers and the enlisted men of the Army shall be permitted to purchase subsistence supplies from the Navy and Marine Corps at the same price as is charged the officers and the enlisted men of the Navy and Marine Corps.

Proceeds of sales of subsistence supplies.—The act of April 27, 1914, making provision for the support of the Army for the fiscal year 1915, contains the proviso that—

Hereafter all moneys arising from sales of subsistence supplies or stores, authorized by law and regulations, shall be covered into the Treasury to the credit of the proper appropriation and shall remain available throughout the fiscal year following that in which the sales were effected, for the purposes of that appropriation from which such supplies or stores were authorized to be supplied at the time of the sales.

Schools for bakers and cooks.—The commanding general of the Hawaiian Department under date of January 20, 1914, recommended the establishment of a school for bakers and cooks in that department, either at Fort Shafter or Schofield Barracks, and submitted a plan for the organization and necessary personnel for the school and the funds required for equipment. Owing to lack of funds it was impracticable to establish the school at that time, but under date of June 18, 1914, this office recommended that authority be granted the commanding general, Hawaiian Department, to establish a school and to organize one section of a bakery company as provided by G. O. 29, W. D., 1914, the members of the section of the bakery company to be composed of the present bakery company authorized for Schofield Barracks, the personnel for the school to be as provided in G. O. 30, W. D., 1914, but in reduced numbers owing to the fact that the limited number of students will not require the entire enlisted faculty authorized by that order. Recommendation was also made that plans, specifications, and estimates for a permanent building for the school be submitted, and the opinion expressed that the permanent school should be located at Schofield Barracks instead of at Fort Shafter.

Estimates have been submitted for the establishment of schools in the Philippines and the Southern Departments. The commanding general, Southern Department, stated that one of the infantry barracks at Fort Sam Houston might be used as the barracks, laboratory, and for other needs of the school, until permanent buildings could be constructed.

Rolling kitchens.—By direction of the chief of staff experiments are to be made with rolling kitchens such as are in use in the English army and on the Continent. These kitchens are being generally adopted by foreign armies as a satisfactory means whereby troops may be properly and promptly fed when operating in large bodies. The ordinary type which has been generally adopted is capable of furnishing two hot meals a day in addition to a cold cooked lunch for approximately 250 men.

Funds have been provided for the purchase of three types of these rolling kitchens. They will be thoroughly tried out; and if report shows the test is successful, recommendation will be made with regard to their adoption for use in the Army.

Cooking outfits for Philippine Scouts.—The Cavalry Equipment Board, which was detailed to meet at Fort Leavenworth, Kans., submitted, after careful consideration and test, their report relative to the equipment and manufacture of cooking outfits for Philippine Scouts. This outfit was designed for a company of Philippine Scouts, and was to be used in the field and when transportation was limited. This outfit consists of 1 boiler, No. 81; 1 boiler No. 82; 1 boiler, No. 83; 1 boiler, No. 84; and 1 boiler, No. 85; 1 small dipper; 1 small fork; 10 boiler hooks; 1 8-inch butcher knife; 1 12-inch butcher knife, 2 bake pans, No. 86; 1 large skimmer; 2 large spoons; 1 10-inch butcher steel—all weighing 109 pounds.

The depot quartermaster at St. Louis was directed to have manufactured a number of these outfits for trial for the Philippine Scouts, in accordance with the recommendations of the Cavalry Equipment Board, and procured and shipped same to the Philippines for test and report. They have proved successful, and additional outfits of the same pattern were recently ordered by the depot quartermaster at Jeffersonville for shipment to Manila.

Installing and operating field ranges.—It was found necessary to revise the instructions contained in Circular 16, Office of the Chief of the Quartermaster Corps, June 12, 1913, relative to installing and and operating field ranges.

The reason for the revision was that it was deemed advisable to change the depth of the stone pit from 4 to 2 feet, and also because of a few minor changes that were recommended as the result of actual experience in handling the range. The revision is contained in Circular 8, Office of the Quartermaster General, May 18, 1914, and the full instructions contained therein can readily be understood, thus rendering the matter of installing and operating the range a very easy one.

Field cooking utensils—March kit.—These are now being constructed as fast as possible and so far as funds are available. March kits of cooking utensils for issue to troops are based on the requirements of Table C, page 10, Tables of Organization, 1914, and G. O. 35, W. D., 1914. Each of these kits will cost approximately $9 and

will be issued to organizations in addition to the present field ranges. The field range is to be continued as the equipment for semipermanent camps, where their use will result in saving fuel in addition to providing facilities for more varied cooking.

The march kit is intended to entirely replace the field range when troops are on the march, resulting in a better adapted and more economical cooking device in the field, due to its reduced weight, and consequent transportation requirements. The weight of the field range complete is 265 pounds, whereas the weight of the march kit is based on a minimum weight of 50 pounds with an additional allowance for equipment based on 1 pound per man in the organization in excess of 50.

CLOTHING AND EQUIPAGE.

Financial.

Appropriation by Congress for the purchase and manufacture of clothing and equipage for the fiscal year ending June 30, 1914	$6,000,000.00
Deposits from all sources, including issues and sales to the governors of the States and Territories and the commanding general, District of Columbia Militia, but not including collections from enlisted men on account of clothing drawn in excess of established allowances (credits to June 30, 1914, replacing clothing, camp, and garrison equipage, 1914–15, act of Mar. 23, 1910)	1,409,247.96

Collections and disbursements in connection with the settlement of the clothing accounts of the enlisted men of the Army. The following are the collections from and disbursements to the enlisted men of the Army in the settlement of their clothing accounts during the periods specified, viz:

Collections on account of clothing drawn in excess of established allowances:	
Appropriation 1913—	
From Apr. 1, 1913, to June 30, 1913	$7,731.68
From July 1, 1913, to Mar. 31, 1914	62,799.12
Appropriation 1914—	
From July 1, 1913, to Mar. 31, 1914	70,749.11
Total collections	141,279.91
Payments to enlisted men at time of discharge from service on account of clothing undrawn:	
Appropriation 1913	
From Apr. 1, 1913, to June 30, 1913	$177,809.90
From July 1, 1913, to Mar. 31, 1914	4,275.24
Appropriation 1914—	
From July 1, 1913, to Mar. 31, 1914	1,269,206.63
Total disbursements	1,451,291.77

Issues to the militia. The following statement in detail shows the value of clothing and equipage supplies ordered to be issued to the governors of the several States and Territories and the commanding general of the District of Columbia Militia for use of the militia during the fiscal year ending June 30, 1914, upon requisitions duly approved by the Secretary of War. To prevent any delay in promptly supplying the articles called for issues were made from the supplies procured for the Army. Reimbursement for the value of the property has been or will hereafter be made and placed to the credit of the appropria-

tion for clothing and equipage by the Treasury Department as soon as receipts shall have been obtained by the issuing officers, viz:

State or Territory.	Act of May 27, 1908.	Act of June 22, 1906, amending sec. 1661, R. S.	Total.
Alabama	$50,211.38	$90.81	$50,302.19
Arizona	3,763.32	.....	3,763.32
Arkansas	15,315.12	5,355.58	20,670.70
California	34,818.61	1.80	34,820.41
Colorado	7,571.68	.....	7,571.68
Connecticut	29,547.16	19,420.00	48,967.16
Delaware	3,444.50	.....	3,444.50
District of Columbia	10,103.04	1.80	10,104.84
Florida	11,243.50	690.41	11,933.91
Georgia	21,428.64	6,058.99	27,487.63
Hawaii	1,134.98	7,610.63	8,745.61
Idaho	9,082.64	.....	9,082.64
Illinois	21,903.46	331.43	22,234.89
Indiana	34,722.87	.....	34,722.87
Iowa	37,249.15	.....	37,249.15
Kansas	19,008.13	1,333.30	20,341.43
Kentucky	8,351.16	.....	8,351.16
Louisiana	9,121.78	412.66	9,534.44
Maine	13,427.76	2,257.66	15,685.42
Maryland	18,592.94	1.50	18,594.44
Massachusetts	65,379.67	21,936.61	87,316.28
Michigan	25,546.53	10,878.63	36,425.16
Minnesota	12,920.83	.90	12,921.73
Mississippi	12,999.92	199.71	13,199.63
Missouri	34,066.91	.90	34,067.81
Montana	4,575.92	4,895.75	9,471.67
Nebraska	11,716.82	8,577.01	20,293.83
New Hampshire	26,362.58	10,519.90	36,882.48
New Jersey	23,568.54	196.65	23,765.19
New Mexico	6,076.20	.....	6,076.20
New York	177,807.55	4,130.93	181,938.48
North Carolina	27,173.30	.....	27,173.30
North Dakota	5,683.67	4,639.25	10,322.92
Ohio	50,140.55	68,840.12	[1] 118,980.67
Oklahoma	21,438.64	919.85	22,358.49
Oregon	16,227.99	.....	16,227.99
Pennsylvania	95,967.41	1,965.94	97,933.35
Rhode Island	12,665.13	3,816.73	16,481.86
South Dakota	6,832.66	30.09	6,862.75
Tennessee	12,764.11	.....	12,764.11
Texas	34,693.39	27.98	34,721.37
Utah	1,881.26	1,684.53	3,565.79
Vermont	7,103.19	34.78	7,137.97
Virginia	18,996.19	29.38	19,025.57
Washington	7,835.55	4,208.40	12,043.95
West Virginia	14,521.23	83.45	14,604.68
Wisconsin	24,415.40	103.41	24,518.81
Wyoming	5,320.94	.....	5,320.94
Total	1,124,823.90	191,287.47	1,316,011.37

[1] Includes $58,509.82 of special flood appropriations.

Replacement of clothing and equipage to the State of Ohio on account of floods.—There were furnished to the governor of the State of Ohio, under section 1661, Revised Statutes, clothing and equipage supplies to the value of $58,509.82 to replace the articles issued or lost by said State during the floods of 1913. The appropriation for clothing and equipage has been reimbursed to the amount stated from the appropriation provided by Congress under the act of October 22, 1913, and credited to "Replacing clothing, camp and garrison equipage, fiscal year 1914–15." The amount thus credited is included in the foregoing statement.

Sales to the militia.—There were sold to the governors of the following States and Territories and to the commanding general, District of Columbia militia, under the provisions of section 17, act of Congress approved January 21, 1903, clothing and equipage supplies

to the value of $54,207.79, which amount has been placed upon the books of the Treasury to the credit of the appropriation for clothing and equipage, viz:

Alabama	$34.30	Missouri	$49.03
Arizona	17.20	New Jersey	273.47
California	8,648.40	New York	15,168.50
Connecticut	187.47	North Carolina	143.45
District of Columbia	37.66	North Dakota	665.17
Florida	786.27	Ohio	1,335.24
Georgia	3.62	Oregon	1,342.70
Idaho	720.39	Pennsylvania	18,279.41
Illinois	102.02	Rhode Island	506.91
Indiana	189.84	Texas	89.27
Iowa	685.33	Utah	57.35
Kansas	598.82	Vermont	636.91
Kentucky	17.64	Virginia	747.86
Louisiana	69.10	West Virginia	7.36
Maine	470.73	Wisconsin	1,106.52
Maryland	7.04	Wyoming	138.70
Massachusetts	432.75		
Michigan	150.93	Total	54,207.79
Minnesota	500.43		

Sales of clothing and equipage to various departments and bureaus of the Government.—The following is a statement showing the departments and bureaus of the Government and the amounts placed to the credit of the appropriation for clothing and equipage from sales of clothing and equipage supplies, under special authority of the Secretary of War, under the provisions of paragraph 671, Army Regulations, 1913, viz:

Navy Department	$11,912.66
Interior Department	3,157.66
Treasury Department	2,736.30
Engineer Department	1,971.72
Agricultural Department	117.39
Isthmian Canal	100.74
Department of Commerce	99.09
Vicksburg National Park Commission	66.81
Superintendent State, War, and Navy Building	45.16
Signal Corps	34.40
Chickamauga and Chattanooga National Park Commission	32.60
Total	20,274.53

Sales at auction. There was realized during the past fiscal year, at the principal purchasing and manufacturing depots of the Quartermaster Corps, from sales of condemned articles of clothing and equipage and cutting, the sum of $36,540.54. The expenses connected with making these sales was $434.68, which, deducted from the gross amount realized, leaves the balance of $36,105.86, which, in accordance with existing law, was covered into the Treasury and credited to miscellaneous receipts.

* * * * * * *

Olive drab flannel shirts.—Complaints have been received that the flannel shirts issued to the enlisted men of the Army shrunk during the process of laundering to such an extent as to change the fit of the collar; experiments have been conducted to secure a fabric that would be more satisfactory, resulting in the procurement of a quantity of flannel composed of 80 per cent wool and 20 per cent cotton. Shirts manufactured out of this material were subjected to trial by officers and enlisted men. The very satisfactory reports received from

Texas and Porto Rico conclusively show that the shirts are equally as serviceable and warm and that they do not shrink. Standards and specifications for the new material have been adopted and future purchases will be made in conformity therewith. The exact cost of the shirts made from the new material will be somewhat less than the former price, but can not be exactly stated until a purchase of a quantity of the flannel shall have been made.

Sweaters.—Complaints having reached this office that the sweaters issued to the enlisted men shrink during the process of laundering, and in order to overcome this and other minor defects, two dozen sweaters, composed of 80 per cent wool and 20 per cent cotton, have been procured and issued for trial by mounted organizations actually engaged in active service on patrol duty at Fort Bliss, Tex. Report has been received as follows:

> These experimental sweaters seem to be a trifle warmer than the old sweater, have a higher collar which offers complete protection to the neck, hold their color well, and have no noticeable shrinkage.

In view of this favorable report, the specifications have been revised to admit of 80 per cent wool and 20 per cent cotton in the manufacture of sweaters. Samples conforming to specifications have been procured. After inviting bids for the annual supply, 50,000 have been purchased at $2.07\frac{3}{4}$ each, which, compared with the former price of $2.20, has resulted in a saving of $6,125.

Buffalo overcoats.—Of the buffalo overcoats purchased and used by troops during the various Indian campaigns prior to 1891, and which were carefully preserved at the Omaha depot and held subject to future disposition, 3,829 were still available on June 30, 1914. Six of these overcoats were sold to officers for their personal use, realizing the sum of $150, and two were expended in the repair of others.

Shoes.—The issue of the new style of russet shoe adopted upon the recommendation of the board of officers convened under the provisions of paragraph 7, Special Orders No. 57, 1911, Headquarters Central Division, referred to in the last annual report of this branch, has been finally consummated throughout the Army. They appear to give general satisfaction. No complaints or criticisms have been received at this office and it is believed that, after many years of earnest efforts to produce a shoe that would prove comfortable and fulfill all requirements of the service, the Quartermaster Corps has at last succeeded in perfecting this most necessary article of a soldier's equipment.

Complaints having been made by one of the contractors that the inspections were unusually severe, the Quartermaster General, on April 8, 1914, recommended to the Chief of Staff, for consideration of the Secretary of War, the appointment of a board of officers consisting of Col. Thomas Cruse, Lieut. Col. R. M. Schofield, and Lieut. Col. W. L. Wood, of the Quartermaster Corps, to pass upon the prevailing system of making the inspections referred to in said complaints. The recommendation of the Quartermaster General having been approved, the board, on April 10, 1914, met at the Boston depot and exhaustively considered the subject in all its phases.

After consultation with the several shoe contractors, the board arrived at the conclusion that it would be practically impossible to devise any code of rules or regulations for the government of inspectors other than those already existing, and the specifications governing the contracts, and recommended that no such attempt be made.

The board further concluded that the present inspection and requirements of the specifications are not unduly severe, and that many of the difficulties which have come up for adjustment in the execution of contracts have been such as would normally arise.

In submitting its report, the board arrived at the following general conclusions, viz:

(*a*) In order that bidders may have a fair understanding of exactly what is required of them in their contracts, and that the best interests of the Government may be protected at the same time and the Quartermaster Corps receive full value of its money and stimulate bidding, the number of each size and width be stated specifically in the Instructions to Bidders, and in case the schedule of sizes thus made on the contract should be exceeded in any one size or last, supplemental purchase be made in open market at contract price. This in order that bidders may closely calculate the quantity of leather used.

(*b*) That, instead of having the usual standard sample, each bidder be required to submit with his bid 24 pairs of shoes of different sizes and widths, made on Government lasts, these shoes to show the bidders interpretation of the specifications and the factory run made up according to these specifications on Government lasts. Both samples and bids to be passed upon by a board of officers, upon whose recommendation the award of contract should be made.

Such action, if approved, would eliminate all comparison by contractors in different sections of the country and avoid any possible criticism that the depots are not conducting uniform inspections, the bidder having bid upon shoes made in his own factory from materials chosen by himself in accordance with specifications.

(*c*) The board, after carefully considering the entire subject and questioning manufacturers of shoes, came to the conclusion that the specifications as adopted were as nearly perfect as could be made; that anyone desirous of living up to them could do so; that they admit of the widest competition, and that the product would be a good serviceable shoe of first-class quality.

The foregoing recommendations and views of the board were, on April 17, 1914, approved by order of the Secretary of War.

On June 25, 1914, bids for furnishing 200,000 pairs shoes were opened at the several depots of the Quartermaster Corps. The advertisement required that each bidder submit with his proposal 24 pairs of shoes. Upon reconvening, the board of officers which made the foregoing recommendations passed upon the samples submitted by bidders, selecting such as, in its judgment, fulfilled the requirements of the specifications. Contracts were awarded to the two lowest responsible bidders for 100,000 pairs each.

Renovation and reissue of olive drab overcoats. The following is a statement showing the number of olive drab overcoats renovated and repaired at the general depots of the Quartermaster Corps, cost involved, condemned as unfit for further use, and reissued to posts, viz:

	On hand June 30, 1913.	Turned into depot.	Renovated and repaired.	Cost.	Condemned.	Reissued.
San Francisco	180	3,898	1,052	$609.85	9	822
Philadelphia	415	771	352	359.85	225	231
St. Louis		6				
Total	595	4,675	1,404	969.70	334	1,053

Scoured and pulled wool.- The question of the use of "pulled" wool in manufacturing blankets and other woolen fabrics having arisen, this office prepared specifications and requested several manufacturers to manufacture samples of blankets in conformity therewith.

In considering the advisability of changing existing standards and specifications so as to permit the use of such wool, the matter was, upon the recommendation of the Quartermaster General, submitted by the Secretary of War to the Department of Agriculture, in order to ascertain whether such fabrics can be considered thoroughly sanitary. The following is an extract from the report of the Department of Agriculture upon the subject, viz:

Pulled wool is obtained principally from sheep in good health, since it is removed from the pelts of animals that have been slaughtered for food purposes in the various abbatoirs of the world. Therefore, attention may quite properly be given to the very slight proportion of "pulled wool" that is derived from sheep suffering from anthrax or other infectious diseases.

Before being converted into blankets, this wool must be submitted to processes of scouring and dyeing. In scouring it is soaked and then beaten in a solution of sodium carbonate and ammonium carbonate, or in benzine, petroleum, or alcohol solution until all dirt and greasy or oily matter is removed from the outer surface of the fibers. It is then pressed through a second beater containing a solution of sulphuric acid for the purpose of removing any traces of carbonates that may adhere to the fibers from the previous alkaline washings. After these processes are finished and the wool is dried, it must present only clean, glistening fibers, otherwise any grease or foreign matter adhering to them will prevent uniform dyeing.

Should any pathogenic organism still remain attached to the wool they will be totally destroyed during the dyeing process. Here the wool is usually boiled in a solution of iron sulphate or potassium bichromate to cause the dyes to permeate the fibers, and later the dyes are applied by means of a second boiling.

In view of the application of these various processes to "pulled wool" it is evident that no virus, spore or bacillus could be subject to these various solutions and still retain its virulent property.

It was therefore decided to incorporate in all existing specifications for woolen fabrics, such as woolen blankets, dark blue cloth, kersey, shirting flannel and meltons, a provision permitting the use of fleece, scoured or pulled wool.

Several purchases of blankets and meltons have been made under these new specifications. Lower prices were obtained and additional bidders added to those heretofore entering into competition.

These remarks also apply to olive drab woolen gloves, the requirements being identical.

This office is constantly endeavoring to meet trade conditions in order to obtain a supply of all articles readily and easily, modern business methods being followed.

Issue of cotton service clothing.—In view of the difficulty experienced in securing olive drab cotton material of fast color which will withstand the method of laundering in the United States and also a fabric of uniform shade from which to manufacture outer garments; the expense to the enlisted men incident to the laundering of the uniforms and also of other possible objection, the question of the discontinuance of the issue of uniforms of cotton service material was, on January 2, last, submitted to the Chief of Staff for consideration of the Secretary of War. It was pointed out that a uniform of woolen, or woolen and cotton, material would be more satisfactory for field service during all seasons of the year and in all sections of the United States than the present cotton uniform, and that such uniforms

would be more presentable and less expensive of maintenance to the enlisted men and further that such a change would facilitate the supply of troops and remove from the present supply list all uniforms of cotton material.

With a view to giving further consideration to this question, it was recommended that the views of the officers of the Army in the United States be submitted to the department commanders, commanding general of the Second Division and commanders of other independent commands. Reports were called for by The Adjutant General as indicated. Upon receipt of these reports they were submitted to the Chief of Staff with remark that "it is the understanding of this office that it is the desire that uniforms of cotton material be issued only for service in the Tropics."

On March 26, 1914, the Chief of Staff advised this office that the Secretary of War approved the discontinuance of the issue of the cotton uniform in the States, to take effect January 1, 1915, and that thereafter the woolen service uniform of the present weight of material be worn in the States in lieu of cotton; the coats to be made lined and unlined.

Draft of a modification to the Regulations for the Uniform of the Army, 1912, was submitted to The Adjutant General on April 6, last.

Suggestions as to the advisability of the use of cotton uniforms for the Army all the year, warmth to be secured by suitable underwear, having been brought to the attention of this office, the matter was, on May 31, 1914, submitted for consideration of the Secretary of War so that if the decision is to be reconsidered this office be advised as early as practicable, in view of the fact that the procurement of supplies for the fiscal year 1915 was then under consideration.

The Chief of the War College Division, of the office of the Chief of Staff, having recommended that the issue of the cotton service uniform to all troops be not discontinued, the Secretary of War directed that a report be made as to whether the matter could not be successfully met with a washable cloth combining wool and cotton.

Immediately upon receipt of these instructions several woolen mills were communicated with who declared their willingness to manufacture the desired samples of fabrics containing not less than 20 per cent nor more than 30 per cent cotton. The samples are now in process of manufacture.

Until satisfactory results shall have been reached, the issue of the cotton service uniform will be continued throughout the service.

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CONSTRUCTION AND REPAIR.

* * * * * * *

The more extensive projects authorized from funds of the past fiscal year were the enlargement of Fort Bliss, Tex., to accommodate 8 additional troops of Cavalry; the construction of 18 buildings at the Front Royal Remount Depot, Va., including 1 barrack building, officers' and noncommissioned officers' quarters and colt stables; the construction of 2 large concrete storehouses at the Fort Mason Army supply depot, Cal.; the completion of officers' quarters for Infantry post and of officers' quarters, barracks for headquarters, and 8 troops of Cavalry at Schofield Barracks, Hawaii; and the construction of 6 additional buildings for the general hospital at Fort Shafter, Hawaii.

The 5 field and 21 double sets of company officers' quarters authorized for the Infantry post at Schofield Barracks, Hawaii, were reported completed on April 4, 1914, the total cost from funds of the fiscal years 1912, 1913, and 1914 having been as follows:

Construction proper (from appropriations for "Barracks and quarters")..	$287,179.83
Plumbing (from appropriations for "Water and sewers at military posts").	22,185.00
Lighting (from appropriations for "Regular supplies").	17,450.00
Total.	326,814.83

The above amounts are exclusive of servants' quarters for which $11,589.48 was allotted from appropriation "Barracks and quarters," and $3,..65 was allotted from appropriation "Water and sewers at military posts" on November 25, 1913.

The buildings authorized for the Cavalry post, viz, 12 double sets officers' quarters, 3 single sets officers' quarters, 27 servants' quarters, 2 Cavalry barrack buildings, and 8 Cavalry stables were reported completed on June 30, 1914. The total cost of these buildings, as reported by the constructing quartermaster, was $503,933.08; all from the appropriation "Cavalry post, Territory of Hawaii."

Shooting galleries and ranges.—The total amount appropriated under this head for the fiscal year 1914 was $54,857. From this appropriation the sum of $18,962 was allotted for sinking a second well and constructing target butts, target houses, steel tank and trestle, etc., on the range at Fort Bliss, Tex.; $1,700 for constructing concrete roof in rear of target butts at Fort Leavenworth, Kans.; $3,693 for annual repairs to shooting galleries and buildings on target ranges; and $7,504.74 for special repairs and improvements on ranges. Ranges were rented for target practice at Vancouver Barracks, Wash.; Edsall, Va.; Fort McIntosh, Fort Crockett, and Laguna, Tex.; and also at certain points in China. The sum of $1,987 was apportioned for expenditure in the Philippine Islands. The unapportioned balance on June 30, 1914, was $342.87.

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Mexican border.—The following is a summarized statement of expenditures made during the past fiscal year, to provide necessary accommodations and conveniences for troops on the Mexican border:

Temporary mess kitchens, bath houses, stables, etc.	$25,580.81
Repairing temporary shelter, etc.	3,260.35
Framing and flooring tents.	17,536.19
Screening mess kitchens and other buildings.	4,497.24
Electric lighting of camps.	3,055.97
Construction and repair of water-supply systems.	6,751.50
Construction of sewer at Texas City camp.	5,000.00
Latrines, garbage cans, tanks, troughs, etc.	3,969.79
Clearing camp sites and improving grounds.	2,279.00
Fitting up target ranges.	1,098.24
Municipal sanitation at Vera Cruz.	20,000.00
Miscellaneous.	867.18
Total.	93,896.27

Philippine Islands.—The amounts apportioned to the Philippine Islands for construction, repairs, and rentals for the fiscal year 1914 were as follows:

Barracks and quarters, Philippine Islands.	$500,000.00
Seacoast defenses, Philippine Islands and Hawaii.	204,112.48
Water and sewers at military posts.	355,000.00

Shooting galleries and ranges	$19,987.00
Military post exchanges	7,000.00
Construction and repair of hospitals	51,000.00
Quarters for hospital stewards	1,500.00
Roads, walks, wharves, and drainage	140,000.00

Lighting systems.—With the object in view of further reducing cost of exterior lighting at posts where current is purchased, improvements have been made in the lighting systems where arc lamps were in use for exterior lighting, and tungsten lamps have been substituted. These changes have cost $6,274, and it is estimated that the annual savings in cost of current will be $11,510 and the posts will be as well illuminated as formerly.

The following amounts have been expended from the appropriation "Regular supplies, Quartermaster Corps," for extension of lighting systems at the following posts:

Fort Bliss, Tex	$7,427.00
Fort Mason, Cal	1,995.00
Fort Myer, Va	2,050.57
Fort Shafter, Hawaii	1,000.00
Fort Shafter, Hawaii, gas main	2,200.00
Fort Jay, Governors Island, N. Y	12,893.00
Total	27,565.57

The last item was for removing and installing fixtures in buildings. The wiring and fixtures in the buildings at this post was done a number of years since in a temporary manner and had deteriorated to such an extent that new installation was necessary.

* * * * * * *

TRANSPORTATION.

WATER.

Army transport service Owned service.—This service consists of 18 ocean-going vessels, owned and operated as required for the transportation of troops, animals, and supplies for the Army. These vessels were engaged in service or stationed at the close of the fiscal year as follows:

Name.	Class.	Location.
PACIFIC FLEET.		
Buford	Troop ship	En route to Alaskan ports.
Burnside	Cable ship	Cable operations, Puget Sound.
Crook	Troop ship	Out of commission, San Francisco.
Dix	Freight and animal ship.	Undergoing repairs, navy yard, Puget Sound.
Logan	Troop ship	Trans-Pacific service.
Sheridan	do	Do.
Sherman	do	Do.
Thomas	do	Undergoing repairs, San Francisco.
Slocum	Tug	In service, San Francisco Harbor.
ATLANTIC FLEET.		
Kilpatrick	Troop ship	At Galveston, Tex.
McClellan	Refrigerator ship	Undergoing alterations, New York.
Meade	Troop ship	At Galveston, Tex.
Sumner	do	Do.
PHILIPPINE FLEET.		
Liscum	Troop ship	Inter-island service.
Merritt	do	Do.
Seward	do	Out of commission, Manila, P. I.
Warren	do	Inter-island service.
Wright	do	Out of commission, Manila, P. I.

Movement of transports.—There have been monthly sailings from San Francisco and Manila throughout the entire year with little interruption in the regular schedule.

The *Buford* was hurriedly placed in commission at the request of the State Department and dispatched from San Francisco, Cal., on September 8, 1913, for the relief of refugees on the west coast of Mexico. The ship visited various ports, took aboard 248 refugees, including women and children, and returned to San Francisco October 22, 1913. The expenses connected with the voyage in excess of the cost of maintaining the ship under normal conditions ($40,152.47), were defrayed from a special appropriation made by Congress for the purpose.

The *Buford* also was designated to effect the interchange of troops in Alaska, leaving San Francisco, Cal., June 15, and Seattle, Wash., June 25 with the First Battalion, Fourteenth Infantry, aboard, returning to San Francisco July 28, 1914, with the Thirtieth Infantry.

The *Dix* made three round voyages from Seattle, Wash., to the Philippines during the fiscal year, carrying an aggregate of 952 animals and 34,179 tons of forage and other cargo.

The *Kilpatrick* was ordered from Galveston to New York in November, 1913, and returned with the entire Tenth Cavalry (less one troop) en route from Fort Ethan Allen, Vt., to Fort Huachuca, Ariz. Later the same ship transported the Second Cavalry from Galveston to New York en route from Fort Bliss, Tex., to Fort Ethan Allen, Vt.

Under hurried orders from the War Department, the *Kilpatrick*, *McClellan*, *Meade*, and *Sumner* were loaded to their capacity with troops and animals of the Second Division and dispatched from Galveston to Vera Cruz on April 24, 1914, to cooperate with the Navy in the occupation of that port. After return of the vessel to Galveston, the *McClellan* was sent to New Orleans to be converted into a storage refrigerator ship. The ship later went to New York to take aboard a cargo of beef for use of troops at Vera Cruz.

Repairs.—San Francisco.—The transports operating from this port have been maintained in good running condition by repairs at the end of each round voyage, which have averaged in cost $2,529 per vessel for each voyage. New lifeboat equipment has been installed upon the *Sheridan*, *Logan*, *Thomas*, and *Buford*, and the same work was begun on the *Sherman* upon arrival at San Francisco soon after the close of the fiscal year, this being the first opportunity to withdraw the vessel from regular service.

Seattle.—Necessary repairs to the *Dix* during the year have aggregated $21,550.76 and to the *Burnside* $2,253.94.

Galveston.—The installation of new lifeboat equipment and considerable necessary repair were accomplished on the *Kilpatrick* at New York while the ship was engaged in effecting the interchange of troops to and from the Mexican border, at a total cost of $23,722. For lack of proper docking facilities, only minor repairs have been made during the year to the other transports at Galveston, the total cost of which are as follows: *Meade*, $3,208.65; *Sumner*, $793.19; *McClellan*, $750.88. Late in the year the work of converting the *McClellan* into a refrigerator ship was accomplished at New Orleans at a total cost of $43,978.07. After thorough tests it was considered advisable to install additional refrigerating machinery to more fully insure the maintenance of a proper temperature to all compartments while lying in tropical waters, and this work was completed at New York after the close of the fiscal year at an additional cost of $12,982.

Service for other departments.—There have been carried by transports during the year for other executive departments and for the Philippine government, passengers and freight, the value of which at tariff rates would be as follows:

Navy Department	$358,715.16
Post Office Department (including 392,117 pounds mail)	87,764.43
Philippine Government	13,101.50
Other departments	1,238.00
Total	460,819.09

Work of the transports.—The following is the summary of the work performed by the transports during the year:

PASSENGERS.

Between—	Sailings.	Officers.	Enlisted men.	Civilians.	Total.
San Francisco and Philippines	12	295	4,264	1,139	5,698
Manila and San Francisco	12	258	7,216	2,052	9,526
Seattle and Manila	5	1	63	5	69
Galveston and New York	4	71	1,705		1,776
United States and Alaskan ports	1	18	476	47	541
United States and Vera Cruz	8	153	3,144	15	3,312
Other ports		444	5,592	[illegible]	[illegible]
Total		1,240	[illegible]	[illegible]	[illegible]

CARGO.

Between—	Animals.	Freight (tons).	Remains.	Lumber.	Mail (pounds).	Money (pesos or dollars).
San Francisco and Philippine Islands		27,119		9,339	117,053	341,220
Philippines and San Francisco		3,696	102		33,920	132,500
Seattle and Manila	601	16,166		7,968		
San Francisco and Honolulu		3,566			38,035	
Other ports	771	28,353	27		103,109	120,868
Total	1,372	78,900	129	17,307	392,117	599,588

Earnings and expenditures. The net earnings of the transports during the year for the above service, based on the lowest rates offered for similar service by commercial lines, have been—

For passengers	$1,784,932.52
For cargo	600,481.92
Total	2,385,414.44

At public commercial rates the earnings would be—

For passengers	$1,784,932.52
For cargo	625,690.99
Total	2,410,623.51

The foregoing does not take into consideration the value of transporting families of officers, soldiers, or employees, or of the other persons not entitled to transportation at the expense of an appropriation of the United States or of the Philippine Government. The value of such gratuitous service during the year, however, aggregated $507,984.83.

The expenditures for the operation and maintenance of the transports during the year were as follows:

	In commission.	Out of commission.	Total.
Wages of officers and crews	$680,171.41	$32,852.39	$713,023.80
Repairs	123,606.55	41,894.75	165,501.30
Fuel	417,159.86	1,645.80	418,805.66
Deck, engine, and stewards' supplies	603,656.36	20,157.34	623,813.70
Miscellaneous	118,146.03	14,192.13	132,338.16
Total	1,942,740.21	110,742.41	2,053,482.62

Shore expenses, including proportionate part of the salaries of officers, commutation of officers' quarters, wages of employees, rent of offices, warehouses, wharves, etc., were as follows:

San Francisco	$47,323.14
Seattle and Tacoma	5,925.10
Galveston and Newport News	29,520.27
Honolulu	3,605.25
Nagasaki	12,000.00
Manila	12,000.00
Total for this purpose	110,473.76
Grand total	2,163,956.38

Included in these expenditures is the cost of operating and maintaining the *Burnside* while engaged in cable work for the Signal Corps of the Army, the total of which was $80,572.71.

Inasmuch as the services rendered by the *Burnside* were not performed in the interests of the Quartermaster Corps, the expenditures in connection therewith should be deducted, leaving the net cost to the Government on account of the transportation of troops, supplies, etc., and the maintenance of all troops, both active and inactive, during the year, $2,083,383.67.

RECAPITULATION.

	Lowest commercial rate.	Public commercial rate.
Earnings of the transports during the year	$2,385,414.44	$2,410,623.51
Expenses of operation and maintenance during the same period	2,083,383.67	2,083,383.67
Savings to the Government by using transports over same service by commercial vessels	302,030.	327,239.84

Chartered service.—To supplement the service of the owned transports in the transportation of supplies from Galveston to Vera Cruz, the steamship *San Marcos*, of the Mallory Line, and the steamship *Satilla*, of the Texas City Line, were chartered on April 23, 1914, and hurriedly refitted as transports, leaving Galveston with troops on April 29 and April 26, respectively.

In view of existing conditions, the charter was authorized on May 7, 1914, of eight other steamships as follows: *City of Macon* and *City of Memphis*, belonging to the Ocean Steamship Co.; the *Denver* and *Colorado*, of the Mallory Line; the *Kansan*, *Minnesotan*, and *Panaman*,

owned by the American Hawaiian Steamship Co.; and the *Ossabaw*, of the Texas City Line. These vessels were refitted at New York and Galveston for troops or animals, as best adapted. The tonnage, rates of charter, cost of refitting, capacity for troops or animals, etc., is as follows:

	Tonnage.	Chartered from—	Rate per day.	Refitted.		Capacity as fitted.		
				At—	Cost.	Officers.	Men.	Animals.
City of Macon	5,311	May 9...	$1,000	New York..		50	2,400	
City of Memphis	5,252	...do....	1,000	.....do.....		58	2,867	
Colorado	2,764	May 8...	442	Galveston...		5	50	411
Denver	4,549	May 10..	910	.....do.....		105	1,203	
Kansan	7,913	May 9...	1,200	.....do.....		2	132	868
Minnesotan	6,656	...do....	900	New York..		18	104	812
Ossabaw	2,667	...do....	425	Galveston...		1	89	322
Panaman	6,649	May 11..	900	New York..		3	100	772
San Marcos	2,839	Apr. 24..	600	Galveston...		26	351	320
Satilla	2,667	Apr. 25..	450	.....do.....		1	89	308
Total	47,266		7,827			269	7,385	3,813

The vessels were assembled at Galveston and held in full readiness for whatever service required. Up to the end of the fiscal year the *San Marcos* and *Satilla* had made two trips each and the *Ossabaw* one trip to Vera Cruz and return. The total cost of this chartered service to June 30, 1914, including refitting, amounted to $953,068.22.

Supplies for the Army at Vera Cruz were forwarded upon irregular sailings until June 16, since which time the *San Marcos* has been dispatched upon a regular schedule, leaving Galveston on the 1st and 15th of each month.

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PHILIPPINE INTERISLAND SERVICE.

Owned service. A total of 63 voyages to various ports in the Philippines and to China were made by the regular owned interisland transports *Liscum*, *Merritt*, *Wright*, and *Warren* and by the commanding general's dispatch boat *El Aguila*. These vessels carried upon the voyages referred to during the year 52,379 passengers, 3,652 animals, 19 remains, 45,749 cubic tons of freight, 274,027 feet of lumber, and $1,078,961.82 in United States currency, all entitled to transportation at government expense, the value of which transportation at commercial rates for similar service amounted to $370,362.15. There were also transported 7,206 passengers and 1,476 cubic tons of freight for which no credit has been taken.

The expenses of the whole service amounted to $459,485.25, and after allowing the proper proportion of shore expenses chargeable to this service, amounting to $67,286.30, the net loss to the government at commercial rates was $156,409.40.

The troops in China during the fiscal year, the same as during the previous fiscal year, were furnished the necessary supplies by the Army transport *Warren*, this vessel having carried 39 officers, 1,094 enlisted men, 9 civilians, 9 animals, 4,014 tons of supplies, and $134,435 currency.

The transport *Liscum*, which at the close of the last fiscal year was undergoing repairs at Shanghai, China, where she had sunk on August 26, 1912, while being repaired, arrived at Manila on October 21, 1913. The damage incident to the sinking of this vessel was made good by the firm by which the repairs were being made when she sunk, and the sum of $1,342.57 was deducted from final payment for damage to property—$1,000 for wireless apparatus, and $342.57 for other quartermaster property. This vessel has since been in service between Manila and interisland ports.

A collier 360 feet long, 50 feet beam, with coal capacity of 6,000 tons on mean draft of 18 feet, is being constructed for the Quartermaster Corps at Shanghai, China, by the Shanghai Dock & Engineering Co. This collier will have four sets of coal-handling apparatus, so that the vessel can be coaled from both sides. The contract price for the construction of this collier is $371,000. The vessel is equipped with modern steam steering gear and propelling machinery capable of driving her at a speed of from 4 to 5 knots per hour. The time for completion has been extended from June 30, 1914, to October 15, 1914.

The *Seward* and *Wright* have been out of commission during the fiscal year, with the exception of a short period of service performed by the *Wright* during July and August, 1913. Owing to the age of these vessels and their unsuitability for the service, recommendation was made to Congress, and authority granted by act approved April 27, 1914, for their sale or other disposition.

Chartered service.—The *Mindanao* was under charter during the year 109 days, and transported a total of 1,992 passengers and 538 tons of freight, the value of which at commercial rates was $5,441.32. There were also transported by this vessel 827 passengers and 74 tons of freight not entitled to transportation, for which no credit is taken.

The expense of the chartered service was $17,192.58, and after charging the proportionate share of shore expenses ($2,863.25) to the cost of this service, the net loss would be $14,614.80.

Recapitulation.

	Earnings.	Expenditures.
Pacific and Atlantic service	$2,385,414.44	$2,038,383.67
Philippine owned service	370,362.15	526,771.55
Philippine chartered service	5,441.32	20,055.83
	2,761,227.91	2,585,211.05
Net earnings in favor of transport service		176,016.86

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LAND TRANSPORTATION.

Freight and passengers transported.—During the fiscal year there were transported by the Quartermaster Corps 163,647 passengers, 16,907 animals, 390,721 tons of freight, $3,636,514.56 in funds, and 305 remains of officers, enlisted men, and civilians, as shown by the statement following.

	By railroad.	By commercial vessels.	By wagon.	By stage.	By express.	Total.
PASSENGERS.						
Officers	4,511	286	16	21		4,834
Enlisted men	136,726	13,898	169	189		150,982
Civilians	7,709	111		11		7,831
Total	148,946	14,295	185	221		163,647
ANIMALS.						
Horses	12,737	403			92	13,232
Mules	3,493	182				3,675
Total	16,230	585			92	16,907
STORES (TONS).						
Quartermaster	163,289	40,737	40,035	15	601	244,677
Ordnance	48,337	16,241	2,705		45	67,328
Medical	1,556	887	850		16	3,309
Engineer	3,778	1,334	460	1	13	5,586
Signal	2,699	952	183		16	3,850
Miscellaneous	22,317	3,883	39,764		7	65,971
Total	241,976	64,034	83,997	16	698	390,721
Funds					$3,636,514.56	$3,636,514.56
Remains	85	10			210	305

This statement indicates an increase of 46,873 passengers over those transported during the fiscal year 1913, and an increase of 1,847 animals and 66,273 tons of freight. The increase in the number of passengers is due to heavy movements of troops to the Mexican border; the troops along the border having been augmented during the fiscal year by several additional regiments, and the increase in the number of animals and tons of freight transported is due to the same cause; the mobilization of these troops along the border and at Galveston, Texas City, and Vera Cruz necessitating large shipments of animals and supplies for use at these points. Quartermaster Corps supplies show an increase of 18,599 tons over shipments during the fiscal year 1913; ordnance stores an increase of 23,543 tons, due principally to shipments of heavy ordnance to the Hawaiian and Philippine Islands and to the Canal Zone; medical stores show an increase of 213 tons; engineer stores an increase of 2,191 tons and signal stores an increase of 1,159 tons; miscellaneous stores, which consist principally of supplies shipped for other departments of the Government, show an increase of 20,568 tons, and the charges for this transportation are paid from the appropriations of the departments concerned.

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MOTOR TRUCKS, AUTOMOBILES, FORAGE, WAGONS, ETC.

Motor trucks. No extensive tests have been made by the Quartermaster Corps during the fiscal year for the purpose of testing out any particular make of truck, but all trucks in the military service have been carefully observed and reported upon, with a view to determining their efficiency, durability, and economical operation.

A great deal of practical experience has been obtained during the fiscal year with this class of transportation in connection with the transportation of supplies between base depots and outlying camps on the Texas border, and from reports received it would appear that this class of transportation is entirely dependable.

From experience obtained during the fiscal year it has been observed that some slight changes are necessary in present specifications for

motor trucks, and steps are being taken with a view to modifying the specifications so as to provide for a truck that will meet all conditions of field service.

A truck of 1½ tons' capacity is considered the most suitable for field service.

A reduction in animal-drawn transportation has been made wherever motor trucks have been supplied.

Trailers for use with motor trucks.—Tests are now being conducted with both two-wheel and four-wheel trailers in connection with motor trucks. Reports received to date have been very satisfactory and show that the use of trailers with motor trucks is economical. These tests are being conducted with a view to adopting specifications for this class of transportation.

Motor cycles.—During the fiscal year 19 motor cycles were purchased for messenger service on the Texas border. While these machines rendered efficient service, their durability does not seem to be very great, the life of a machine being approximately two years.

Compressed forage.—No extensive tests were made of Shiverick compressed forage during the fiscal year, but from reports received it would appear that this class of forage as now prepared is not very satisfactory for field service, as it attracts flies, ants, etc., and the wrapper is very hard to remove. As machinery is not available for the manufacture of this forage and same can not be obtained from former Lieut. Shiverick, no further tests will be made for the present.

Telephones.—During the fiscal year $31,922.92 was expended for rental of telephones.

Issues to the militia.—Miscellaneous supplies to the value of $251,663.35 (except subsistence and clothing and equipage) were issued to the Organized Militia during the fiscal year under authority of statutes providing for such issues.

No gratuitous issues of such supplies were made to the Organized Militia of the District of Columbia.

Forage.—There was expended during the fiscal year for forage for animals pertaining to the Army $3,579,456.30. This includes the forage used in the Philippine Islands, Alaska, Hawaiian Islands, and Porto Rico, except native grass and bedding purchased in the Philippine Islands. In addition to the foregoing there was purchased 113,356 pounds of dog food at a cost of $8,373.21.

Quantities and cost of forage and bedding purchased during fiscal year 1914, except that purchased for the Philippine Islands:

	Pounds.	Cost.	Average cost.
Oats	103,450,087	$1,696,364.16	$1.6398
Hay	144,158,321	1,143,756.12	.7934
Bran	4,200,000	56,724.00	1.35
Corn	1,365,000	16,789.50	1.23
Barley	1,173,166	16,296.07	1.3865
Algaroba beans	1,300,000	16,510.00	1.27
Mixed feed	26,000	487.50	1.875
Dog food	113,356	8,373.21	7.386
Peat moss	8,200	90.20	1.10
Bedding	21,996,928	118,843.75	.5407
Total	277,791,058	3,054,234.51	
Total forage and bedding purchased (except for the Philippine Islands) exclusive of dog food	277,677,702	3,045,861.30	

Of the above supplies the following were shipped to Alaska, Porto Rico, and the Hawaiian Islands:

	Pounds.	Cost.
ALASKA.		
Oats	490,000	$7,282.10
Hay	769,000	8,509.00
Bran	12,605	150.00
Corn	66,500	984.20
Bedding	164,400	816.00
Dog food	113,356	8,373.21
Total	1,615,861	26,114.51
PORTO RICO.		
Oats	440,507	7,379.23
Hay	710,845	5,880.54
Bran	37,498	455.08
Straw	104,727	979.75
Total	1,293,577	14,694.60
HAWAIIAN ISLANDS.		
Oats	7,462,400	110,311.37
Bran	235,435	2,896.95
Hay	11,446,800	91,002.06
Total	19,144,635	204,210.38

Of the above supplies the following were purchased in the Hawaiian Islands:

	Pounds	Cost.
Algaroba beans	1,300,000	$16,510.00
Bedding	2,582,540	13,259.52
Total	3,882,540	29,769.52

The following quantities of forage were purchased for shipment to the Philippine Islands during the fiscal year 1914:

	Pounds.	Cost.
Oats	20,000,000	$315,450.00
Hay	25,600,000	218,145.00
Total	45,600,000	533,595.00

The following quantities of forage were purchased during the fiscal year 1914 for feeding animals en route to the Philippine Islands:

	Pounds.	Cost.
Oats	17,800	$268.20
Hay	31,100	287.60
Bran	34,700	383.33
Total	83,600	939.33

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REMOUNT SERVICE.

Statement showing animals purchased by the Quartermaster Corps during the fiscal year 1914.

Kind.	Number.	Total cost.	Average cost.	
			1914	1913
Cavalry horses	2,980	$470,377.43	$157.84	$167.46
Artillery horses	1,045	196,235.98	187.78	189.50
Riding horses	308	46,527.50	151.06	.....
Young horses	740	100,528.27	135.84	118.42
Polo ponies	5	1,250.00	250.00	.....
Draft horses	19	3,570.90	187.94	230.28
Draft mules	1,168	258,225.00	221.03	245.73
Pack mules	324	49,879.50	153.95	188.46
Dogs	29	1,640.00	56.55	48.81

The average cost of mounts for the year is $160.48.

During the year 1,843 animals were condemned, sold, etc., 494 died, a total of 2,337 animals. There remained on hand June 30, 1914, in the United States and Hawaii, excluding animals at remount depots:

Cavalry horses	12,257
Artillery horses	3,067
Riding horses	2,323
Draft horses	952
Draft mules	7,381
Pack mules	2,271
Riding mules	623
Bell mules	10
Dogs	134
Total	29,018

		Horses.	Mules.
Fort Keogh Remount Depot, Fort Keogh, Mont.:			
Animals on hand July 1, 1913		567	6
Animals received during fiscal year 1914		624	20
Total on hand and received		1,191	26
Issued during the year—			
Cavalry horses	517		
Artillery horses	98		
Riding horses	17		
Horses sold to officers	9		
Horses died	25		
Horses otherwise disposed of	2		
Total disposed of		668	
Balance on hand June 30, 1914		523	26
Fort Reno Remount Depot, Fort Reno, Okla.:			
Animals on hand July 1, 1913		813	48
Animals received during fiscal year 1914		672	157
Total on hand and received		1,485	205
Issued during the year—			
Cavalry horses	468		
Artillery horses	18		
Riding horses	112		
Horses sold to officers	26		
Horses died	20		
Horses otherwise disposed of	28		
Total disposed of		672	
Mules issued	126		
Mules otherwise disposed of	4		
Total disposed of		.....	130
Balance on hand June 30, 1914		813	75

		Horses.	Mules.
Front Royal Remount Depot, Front Royal, Va.:			
Animals on hand July 1, 1913		457	44
Animals received during fiscal year 1914		542	54
Total on hand and received		999	98
Issued during the year—			
Cavalry horses	327		
Artillery horses	9		
Riding horses	15		
Horses sold to officers	44		
Horses died	42		
Total disposed of		437	
Mules issued			35
Balance on hand June 30, 1914		562	63
Summary of remount depots:			
Animals on hand July 1, 1913		1,837	98
Animals received during fiscal year 1914		1,838	231
Total on hand and received		3,675	329
Issued during the year—			
Cavalry horses	1,312		
Artillery horses	125		
Riding horses	144		
Horses sold to officers	79		
Horses died	87		
Horses otherwise disposed of	30		
Total disposed of		1,777	
Mules issued	161		
Mules otherwise disposed of	4		
Total disposed of			165
Balance on hand June 30, 1914		1,898	164

FUEL.

The cost of fuel for the Philippine Islands for all purposes, except for transports, etc., for fiscal year 1914, was $232,181.99, or a grand total for the United States and Philippine Islands of $2,190,254.72.

Statement showing quantities and cost of fuel, except for transports and other vessels' purchased during the fiscal year 1914, in the Philippine Islands and China.

Kind of fuel.	Quantities.	Regular supplies.	Army transportation.	Water and sewers.	Incidental expenses.	Roads, walks, wharves, and drainage.
Bituminous coal [1]....pounds..	41,400,860	[1] $36,138.07	$15,000.00	$55,265.18	$7,000.00	.....
Hardwood [1]....cords..	16,132	[1] 47,319.00	.....	6,037.40	.....	.....
Mineral oil [1]....gallons..	261,495	[1] 40,544.94	.....	.....	2,021.37	.....
Gasoline....do....	62,591	9,999.74	.....	9,856.32	.....	.....
Blacksmith coal....pounds..	2,477,440	.....	.....	.....	.....	$3,000.00
Total....	.....	134,001.72	15,000.00	71,158.90	9,021.37	3,000.00

[1] Includes the following quantities and cost of fuel used at Tientsin, China: Bituminous coal, 5,736,700 pounds, $8,612.07; hardwood, 81 cords, $637.36; mineral oil, 1,205 gallons, $175.80; total, $9,425.23.

RECAPITULATION.

Regular supplies	$134,001.72
Army transportation	15,000.00
Water and sewers	71,158.90
Incidental expenses	9,021.37
Roads, walks, wharves, and drainage	3,000.00
	232,181.99

J. B. ALESHIRE,
Quartermaster General, U. S. Army.

The SECRETARY OF WAR.

REPORT OF THE SURGEON GENERAL.

WAR DEPARTMENT,
OFFICE OF THE SURGEON GENERAL,
Washington, September 1, 1914.

SIR: I have the honor to submit herewith the annual report upon the work of the Medical Department; this includes a study of the health and sanitary conditions of the Army for the calendar year 1913, and a financial statement for the fiscal year ending June 30, 1914. It seems appropriate here to invite attention to certain matters of interest in this report.

Admission rate.

The admission rate for the American Army in 1913 is 671.18 per 1,000, the lowest on record and a reduction over the previous year of over 18 per cent. The admission rate is also lower for all troops in all of our foreign possessions. For the United States this rate for disease only is 487.94, about one-half of the best rate prior to the War of 1898, and before our troops were exposed to the infection of tropical diseases. This rate for disease was highest in the Philippines, 776.28, and lowest in Alaska, 354.08.

Noneffective rate.

The constantly noneffective rate is the true index of the loss of efficiency of the Army from disease and injury. This rate indicates the average number of men in each 1,000 incapacitated for duty each day during the year. For the American Army in 1913 the rate was 23.97, the lowest rate recorded for our Army. Comparing the noneffective rate for disease only for troops in the United States, 18.61, with the best previous rate of the Army, which was 25.23 in 1896, it is observed that there is a reduction of over 26 per cent. This rate is highest in the Philippines, 26.84, and lowest in Alaska, 9.13.

Discharge for disability.

For the greater part of 1913 the provisions of General Orders 174, War Department, 1909, have been in effect, and discharges have been made in accordance with its provisions. The rate is slightly lower than for the preceding year.

Deaths.

The death rate is slightly higher than for last year, the increase being due to the accident to the Coast Artillery companies, wrecked while traveling at Burrows Creek, Miss., October 19, 1913, with 17 deaths.

Typhoid fever.

With the satisfactory general rates mentioned, the lower rates for certain diseases are noteworthy. Among our troops stationed in the United States, Alaska, the Philippines, Hawaii, Panama, Porto Rico, and China, including the Philippine Scouts and Porto Rican troops, the total mean strength of which was 99,752, only 4 cases of typhoid fever occurred. Two of these cases were in the persons of recruits of four and five days' service, respectively, who had not yet received the antityphoid prophylactic; a third was a soldier who had received but one dose, instead of the usual three; the fourth a soldier in China, who had received the prophylactic two years previously.

Tuberculosis.

The admission rate for tuberculosis is not quite as low as for the previous year, but is lower than for any year in the decade, except 1912.

Venereal diseases.

The campaign of education relative to venereal diseases, which has been carried on in the Army for several years, has been greatly assisted by the act of Congress stopping the pay of those incapacitated by these diseases. A higher moral standard must accompany such improved conditions. From recent investigation it is, indeed, probable that the frequency of venereal diseases among our soldiers is less than among adult males in the cities of this country.

The economy to the Government effected by these recent measures is worthy of note. At the rate prevalent in 1909, when this propaganda against venereal disease was beginning to take its present form, the expectation for the number of days lost in 1913 in the Army by sickness through venereal diseases would be 391,000; the number actually lost in 1913 was 137,882; an apparent saving of 253,118 days resulted for the year. The time saved was available for military training and other duty. The monetary value was approximately $190,000, and, under the former conditions, this sum actually would have been paid out by the Government.

At date of writing it is probable that one and a half million men are under arms in the armies of the Allies in France. Applying the same rates to those armies, it would mean a saving of 4,200,000 days in a year, or the equivalent of an army of 420,000 for 10 days. The value of the services of men thus saved to duty is apparent.

Alcoholism.

The rate which indicates the prevalence of alcoholism in the Army is lower for 1913 than any ever recorded.

Malarial fevers.

It is especially satisfactory, in view of the extension of white races toward the tropics, to state that the rates for malarial fevers are the lowest since 1898, when our troops were first permanently stationed in the tropics.

Camp sanitation.

The necessity that a large part of the Army has been under for the past year of living in camps has given further opportunity to assure ourselves of the fact that we can maintain a state of hygienic competence warranting the holding of large bodies of troops in camp indefinitely.

In this, my first, annual report it seems proper to briefly set forth some of the more urgent needs of this Department, that it may continue to efficiently perform its part in the military organization.

Hospital Corps.

The Hospital Corps needs to be made more attractive; there is little inducement in the pay to draw to it the men of intelligence that are necessary to perform efficiently its specialized duties; anesthetists, pharmacists, surgical, laboratory, and sanitary assistants, expert nurses and cooks can get better pay and hours out of the Army. The reorganization of the Hospital Corps is essential, if its efficiency is to be preserved.

Field sanitary service.

The organization of several new field hospital and ambulance companies during 1914 only in part remedies the glaring defect observed in the shortage of mobile sanitary units. Our present personnel permits only one-half of the Regular Army in the field to be served by the sanitary units prescribed by Field Service Regulations. In view of the great battle losses to be expected in modern wars, it is a serious responsibility to rely upon improvised units that must serve at the front. This matter does not require congressional action.

The great reduction in the amount of preventable disease foreshadows great economies to the Government as practical application is developed. Until comparatively recently the duties of medical officers were almost entirely confined to the care of the sick and wounded. In keeping with modern tendencies, specialization has developed and to their former duty is now added that of sanitary science with the practice of preventive medicine in the field and garrison, the handling and disposal of the sick and wounded in campaign, and the various specialties of the civilian physician and surgeon. All this requires preparation and training unknown in past years. The Medical Corps is the only portion of the Army not included in the plan of education of the Army instituted when Senator Root was Secretary of War.

It seems time that a comprehensive scheme was adopted to keep medical officers trained and abreast of the times in both their medico-military and strictly professional duties.

For some years it has been necessary to constantly employ from 90 to 100 members of the Medical Reserve Corps with troops. It is desirable that the Medical Corps be large enough to perform all the duties required in peace, and any reserve of trained medical officers be effected in other ways. In time of war there will be demands for medical officers that the corps will be unable to meet. A sufficient number to meet requirements in peace is the best preparation to meet the demands upon the medical department in mobilization and war.

Appeals are made during great public disasters for the services of medical officers and for medical property by the National Red Cross. It is desirable that plans be perfected whereby they may become available through the authority of the Secretary of War. Legislative enactment is necessary to modify the present restrictions upon granting this help.

HEALTH OF THE ARMY.

International Nomenclature.

This is the second annual report of this office in which the diagnostic terms for diseases and injuries, adopted by the Medical Department in accordance with the International Nomenclature, are used with the international numbers. The nomenclature was published in C. M. M. D., December 7, 1911, for the information and guidance of all medical officers.

The International Nomenclature is used by most of the important foreign countries. It is also used by the Census Bureau in this country and by an increasing number of boards of health and large hospitals.

In studying statistics for other countries where the terms used are expressed in a foreign language, the international number furnishes a ready key for their interpretation.

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Admission Rates.

Prior to 1904 in compiling the statistics of this office for the Army all readmissions which were obviously for the same attack of the same disease were omitted. Thus, if a man was admitted to hospital with a complication of gonorrhea who had been returned to duty a

short time before, after treatment for the same attack of this disease, the readmission was not counted. From 1904 to 1911, inclusive (reports 1905-1912), all readmissions were counted as admissions. In compiling the statistics for 1912 and 1913 the rule followed prior to 1904 has been followed. In each recent report a table has been published showing for the Army the difference between the actual number of cases and admissions. In this report in making comparisons between cases and admissions the terms case admission (report 1914 and prior to the one for 1905) and total admission (reports 1905 to 1912, inclusive) will be used.

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OFFICERS

The mean strength of officers was 4,296, as obtained from the reports of sick and wounded of the Medical Department, and 4,787 from the office of The Adjutant General. There were 2,222 admissions, 28 deaths, and 102.57 constantly noneffective from all causes, equal to ratios of 517.23, 5.85, and 23.83 as compared with ratios of 596.78, 5.12, and 24.92 per 1,000 for the year 1912. The constantly noneffective rate was lower than for 1912, the admission rate much lower, and the death rate higher.

The chief causes of admission and their rates were diarrhea and enteritis, 42.60; influenza, 42.37; bronchitis, 30.49; diseases of the pharynx, 30.49; diseases of the nasal fossæ, 21.18; diseases of the stomach (ulcer and cancer excepted), 16.76; appendicitis, 14.20; and malaria, 13.73.

OFFICERS RETIRED.

Thirty-six officers were retired on account of disability during the year, making a rate for retirement for disability of 7.52 per 1,000 as compared with 4.69 for 1912. The discharge rate for disability in enlisted men was 13.24.

There were 28 deaths with a rate of 5.85 per 1,000, as compared with 24 deaths with a rate of 5.12 in 1912.

ENLISTED MEN.

The mean enlisted strength of the Army, American troops, white and colored, for the year 1913, as reported on the monthly sick reports of the Medical Department, was 80,766, and on the returns of The Adjutant General's Office, 81,697. The former represents the strength of the commands from which the sick returns were made and was used in calculating all ratios except those for deaths and discharges. As all deaths and discharges were reported, even of those absent from a command, the total strength as obtained from The Adjutant General was used in calculating ratios pertaining to those headings. There was an increase in strength over the year 1912, for which the medical returns showed 78,267 and The Adjutant General's Office 79,613.

During the year 1913 American troops were stationed in the United States proper, the Philippine Islands, China, Alaska, Hawaii, and the Canal Zone. Native troops served in Porto Rico and the Philippines. Statistics for the native troops, Porto Rico and Philippine, have been

separately compiled, and when reference is made to the "Army" in this report the American Army proper, white and colored troops, exclusive of native troops, is meant.

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CONSTANTLY NONEFFECTIVE RATE.

The noneffective rate is the true measure of nonefficiency of the Army from sickness and injury. The rate for disease and injury obtained for the total American Army enlisted men for the year 1913 was 24.33, as compared with 30.10 per 1,000 in 1912. The rate for 1913 is thus much lower than the rate for 1912, which was the lowest recorded noneffective rate in the history of the Army before the year 1913. The noneffective rate for disease for 1896 was 25.23, the lowest on record in the Army. The corresponding rate for 1912 was 25.43. For 1913 it is 20.02. The highest noneffective rate on record was for the year 1898, when the total rate was 82.83 per 1,000 and the rate for diseases alone was 69.09. The progressive improvement from 1898 to 1911 was chiefly due to the sanitary control of infectious diseases, malarial fevers, typhoid, and dysentery. The very marked improvement in 1913 was due, largely, to the sanitary control of two diseases, typhoid fever and venereal diseases. As a result of the control of typhoid fever by immunization of the Army by the typhoid prophylactic and by the employment of proper sanitary measures, this disease ceases, apparently, to be a factor worthy of consideration as far as noneffectiveness in the Army is concerned. The noneffective rate for venereal diseases showed a continued reduction in 1913; this was a result of the propaganda of education which has been going on for several years, and of General Orders 17, War Department, May 31, 1912, prescribing a compulsory system of venereal prophylaxis and physical inspection, together with General Orders 31, publishing to the Army the action of Congress in stopping the pay of men disabled on account of sickness due to alcoholism, drug addiction, and other misconduct (venereal diseases).

The diseases causing the highest noneffective rates were venereal diseases and tuberculosis (all). The rate for venereal diseases was 4.51 per 1,000 and that for tuberculosis (all) was 1.94. The noneffective rate for venereal diseases in 1912 was 7.78. The rate for 1913, therefore, as stated above, shows a great reduction. The total rates for venereal diseases are kept up by the rates for troops in the Philippines. While lower there than in 1912, the noneffective rate for white troops is 8.06, over twice the rate (3.55) for white troops in the United States. The colored troops in the Philippines have a rate of 13.36, as compared with 4.53 for these troops in the United States.

ADMISSIONS TO SICK REPORT.

The admissions to sick report during 1913 show a satisfactory decrease. The rate is 671.78. This is a reduction of over 18 per cent from 1912. The admission rate for diseases only is 535.26. These rates for 1913 are the lowest ever attained in the history of the Army. The highest admission rates were caused by the diseases named, as follows: Venereal, 97.22; diseases of the pharynx, 48.52; diarrhea and

enteritis, 31.92; bronchitis, 30.42. The venereal rate was 136.70 for 1912, and the present rate is a most encouraging matter, as it promises further reduction through the measures which, now in force, have accounted for this marked decrease the past year in spite of the many changes in the stations of troops, which have effected unfavorably the systems of prophylaxis carried on at the posts. The rate for white troops was 94.14; for colored, 147.92. The rates in the Philippines for these troops were 140.77 and 194.37, respectively, which are a decrease for both races over the rates of 1912 in the Philippines, 215.43 and 524.06 respectively. These high rates are due to local social conditions and indicate that radical changes in conditions must appear before rates comparable to those in the United States may obtain. As the rate for 1912 for colored troops in the Philippines was 524.06, the highest recorded in the Army, the present rate is an indication of the effectiveness of the measures instituted for the improvement in this condition. In comparing the rates for venereal disease for the past three years with those of periods before General Orders 17, War Department, May 31, 1912, was issued, it must be borne in mind that since that time the semimonthly physical inspection brings to light a much larger percentage of the venereal cases than was known to the surgeon before these inspections were compulsory.

The case admission rate for external causes was 136.52. In 1912 this rate was 149.64, and in 1911 was 161. The principal causes for this rate were: Traumatism by fall, 41.04; injuries by animals, 12.06; traumatism by cutting or piercing instruments, 11.76; poisoning by food, 3.06; burns, 4.11; effects of heat, 1.75; and traumatism by firearms, 2.18. Seven men were shot by sentry, with two deaths. Ten were wounded in action with three deaths.

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DISCHARGES FOR DISABILITY.

Soldiers stationed outside of the territorial limits of the United States are now brought to the United States for discharge, except those belonging to the Porto Rican regiment and the Philippine Scouts. They are, however, credited in the tabulated reports to the country in which the soldiers were serving when they became disabled if their commands were there at date of discharge.

The present system requires that all soldiers certified by medical officers to be permanently incapacitated for the military service shall be critically examined by a board of two medical officers before being discharged. The reports of these boards go to the department headquarters from where discharges are ordered, except in the cases of soldiers at a recruit depot, or general hospital, and the reports of boards on insane patients. In the latter circumstances the reports are sent to The Adjutant General of the Army, who directs the discharge or issues the order when insane are recommended to be transferred to the Government Hospital for the Insane, Washington, D. C.

The disability rate for 1913 was lower than for any year since the Spanish-American War, the lowest rates being for the years 1894–1898, inclusive, and for the year 1867. In 1913 there were in the Army 1,082 men discharged for disability, the rate being 13.24 per 1,000. The corresponding rate for the preceding year was 13.43. The rate for 1867 was 13 per 1,000, and the lowest rate from 1894–1898,

inclusive, was that for 1895, the lowest on record in the Army, 9.15 per 1,000. The highest rate in any year for discharge for disability was in 1849, when the total rate for discharge was 76.7 per 1,000.

The discharge rate for disease in 1913 was 11.93 per 1,000, as compared with 12.18 in 1912, and that for external causes was 1.31 in 1913, as compared with 1.24 in 1912. The diseases causing the highest discharge rate in 1913 were as follows, absolute numbers and rates per 1,000 being given:

Discharges, enlisted men (American troops).

Disease.	Number.	Rate.
Mental alienation	210	2.57
Tuberculosis	185	2.26
Venereal	92	1.13
Flat foot	67	.82
Organic heart disease	34	.42

DEATHS FROM ALL CAUSES.

The highest death rate occurring in any year was in 1849, when the total rate for deaths was 80.2. The highest rate for discharges has been noted for the same year; in 1913 it was 13.43. The death rate for this year is higher because of the railroad accident to several companies of Coast Artillery Corps, at Burrows Creek, Miss., in October, 1913.

The death rate for diseases was 2.57 in 1913; in 1912 it was 2.37, which was the lowest on record in the Army, the next lowest being the rate for 1910, which was for the same causes, 2.44. The total number of deaths in 1913 was 1,097. The following diseases caused the highest number of deaths, absolute numbers and rates per 1,000 being given:

Deaths, enlisted men (American troops).

Disease.	Number.	Rate.
Tuberculosis	40	0.49
Pneumonia, lobar	23	.28
Nephritis, acute and chronic	17	.20
Organic heart disease	15	.18
Epidemic cerebrospinal meningitis	11	.13
Measles	11	.13

The following were the principal causes of deaths from external causes, with the number in each instance: Suicides, 51; drowning, accidental, 35; traumatism by fall, 20; traumatism by other crushing, 51; traumatism by firearms, 13.

INFLUENCE OF STATION ON TROOPS.

Regarding the comparative healthfulness of the various countries in which troops were serving during the year (Army transports being excluded), it will be noted that Alaska maintains the lowest admission and noneffective rates; Hawaii the lowest death rate; and China the lowest discharge rate. The Philippines had the highest admission and

noneffective rates; China the highest death rate; and the Canal Zone the highest discharge rate.

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INFLUENCE OF ARMS OF SERVICE.

The enlisted men of the Ordnance Department and Signal Corps are not considered on account of their small number and the special character of their service.

The admission rate was highest for the Field Artillery, 804.89, and the lowest for the Hospital Corps, 495.32; the death rate was highest in the Hospital Corps, 5.89, and lowest in the Ordnance, 2.77.

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The following tabulation shows the admission rates for the different troops for eight of the more important causes of noneficiency:

Admission rates for diseases causing greatest amount of noneficiency.

	Venereal diseases.	Alcoholism.	Tuberculosis.	Dysentery.	Rheumatism.	Diarrhea and enteritis.	Mental alienation.	Malarial fevers.
White enlisted men	94.14	15.60	3.43	3.86	6.88	31.65	3.49	25.07
Colored enlisted men	147.92	6.05	7.56	3.24	4.97	36.28	2.59	19.44
Porto Rican native troops	77.44	3.37	11.78	8.42	3.37	69.02	.00	31.99
Philippine Scouts	36.30	.20	6.28	7.06	3.73	21.59	.39	193.49

It will be seen by the above tabulation that the white troops have, as usual, the highest rate for alcoholism; the Philippine Scouts the highest rate for malaria, probably due to the intimate participation in the native life, which takes them more out of the barracks; the colored troops have the highest venereal rate. By far the highest rate for tuberculosis is that for Porto Rican troops.

INFLUENCE OF RACE.

The colored troops had the highest noneffective and the second highest death rates; the Porto Rican troops had the highest admission rate and the lowest death rate. The white troops had the highest discharge and the lowest admission rates; and the Philippine troops had the highest death rate. The constant noneffective rates were, colored, 30.27; white, 23.97; Philippine, 18.31; Porto Rican, 24.58. The case admission rates were, Porto Rican, 818.18; colored, 760.10; white, 666.41; Philippine, 681.12. The discharge rates were, white, 13.25; Philippine, 9.17; colored, 13.17; Porto Rican, 8.42. The death rates were, colored, 5.83; white, 4.80; Philippine, 9.17; Porto Rican, 3.37. The rates for total losses were, white, 18.05; colored, 19; Philippine, 18.34; Porto Rican, 11.79. The average number of days lost for each case treated was, white, 13.13; colored, 14.54; Philippine, 9.81; Porto Rican, 10.97.

COMPARISON WITH FOREIGN ARMIES.

It has been customary to make an effort to compare the health conditions in the United States Army with the same conditions in the armies of Great Britain, the continental powers, and Japan. It is

doubtful whether any comparisons made from the data furnished this office in the health reports from the countries mentioned are of any value. The conditions under which the sick are treated and records made of disease in the different armies are so different that no comparison of general rates of admission, noneffectiveness, etc., are worth making.

Typhoid fever, however, offers an instance in which some fair comparison can be made. It will be observed that the United States admission rate per 1,000 of mean strength is lower than that of any other army and only approached by that of the Dutch army. However, the figures for the Dutch army available were those for the year 1910, no later data being at hand. The British for 1912 had a rate of over twice as great for their army in the United Kingdom.

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UNITED STATES (CONTINENTAL) EXCLUSIVE OF ALASKA.

CONSTANTLY NONEFFECTIVE RATE.

The average mean strength of the troops serving in the United States was 59,608 (S. G. O.), of which 57,912 were white and 1,696 colored. The noneffective rate, the true measure of the effect of sickness on the military efficiency for this year shows an improvement over last year. There were fewer constantly sick by 217 in 1913 than in 1912, though the average strength was 1,234 greater.

Year.	Noneffective rate.	Case admission rate.			Highest noneffective rate for disease.	
		All causes.	For disease.	External causes.	Venereal.	Tuberculosis.
1913	22.94	619.90	487.94	131.96	3.58	2.34
1912	27.15	738.70	596.94	141.76	5.96	1.65
1911	31.40	837.00	680.00	157.00	8.82	1.63
1910	33.95	840.00	662.00	178.00	.....	.....
1909	39.70	945.00	.....	.....	.....	.....
1908	41.19	1,079.00	.....	.....	.....	.....

ADMISSION RATE.

The report for 1913 stated that in the tabulations for that year, cases only were counted. Readmission for the same illness are omitted in counting cases.

The admission rate for 1913 was 619.90, and is a marked improvement over the preceding year; this rate is compared with the rate for five years preceding in the total above.

DISCHARGES FOR DISABILITY.

The disability discharge rate for the United States for 1913 was 13.45 per 1,000, as compared with 14.48 for 1912, 15 for 1911, 15.28 for 1910, and 18.87 for 1909. These figures show a material reduction. The cause for this improvement during the last few years is believed to have been due to a large extent to General Orders 174,

War Department, 1909, which requires that soldiers certified by medical officers to be permanently incapacitated for the military service shall be examined and observed by a board of three medical officers at a recruit depot or a general hospital before discharge. This procedure was changed by the War Department and, since the beginning of the year, the discharges are made by the department commander on the recommendations of a board of at least two medical officers.

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The principal causes of discharge with the percentage of the total number of discharges were mental alienation, 18.80; tuberculosis (all), 18.11; venereal diseases, 8.50; flat foot, 7.52; and organic diseases of the heart, 4.04. The order of frequency was the same for these diseases as in the year 1912.

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DEATHS.

The death rate for diseases for the United States was 2.62 per 1,000, as compared with 2.28 in 1912 and 2.83 in 1911. That for external causes was 2.33 in 1913, 2.28 in 1912, and 1.89 in 1911. The total for diseases and external causes was 4.95 in 1913, as compared with 4.55 in 1912 and 4.72 in 1911. The total number of deaths in 1913 was 298; of this number 158 were due to disease, and 140 to external causes. Deaths, as well as discharges, which occurred in the United States among those who have been invalided home from their commands in foreign service, have been charged to the country where such commands are stationed. Tuberculosis caused 24 deaths in 1913, 16 in 1912, and 29 in 1911; measles, 11 in 1913, 12 in 1912, and 25 in 1911; pneumonia (lobar), 19 in 1913, 12 in 1912, and 18 in 1911; and nephritis, 14 in 1913, 12 in 1912, and 6 in 1911. There were 33 suicidal deaths in 1913, 47 in 1912, and 36 in 1911; 15 homicidal in 1913, 16 in 1912, and 14 in 1911; and 18 accidental drownings in 1913, 24 in 1912, and 13 in 1911. Of the accidental deaths, crushing caused the largest number, 33 in all. There were 92 accidental deaths in 1913, 72 in 1912, and 55 in 1911.

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PREVALENCE OF SPECIAL DISEASES.

TYPHOID FEVER.

Three cases of typhoid fever (officers and enlisted men) occurred during the year in the Army stationed within the geographical limits of the United States. Two of these cases were in recently enlisted recruits who were admitted to the hospital with the disease, one on the fourth and the other on the sixth day of service. The latter case had not received the first dose of the typhoid prophylactic when admitted to the hospital. In both cases the disease was obviously contracted prior to enlistment. In the third case the prophylaxis was employed for more than a year previous to the attack, but the soldier stated that he had received only one injection. One case occurred among the American troops in China. This patient had been inocu-

lated in 1911. No other case occurred either among the American or native troops at home or abroad. All the patients recovered.

In the Army (officers and enlisted men) in the United States in 1912 there were 18 cases with 3 deaths; in 1911, 44 cases with 6 deaths; in 1910, 142 cases with 10 deaths; and in 1909, when the typhoid prophylaxis was first begun voluntarily, 173 cases with 16 deaths. In the entire Army, American and native troops, serving at home and abroad in 1912, there were 27 cases with 4 deaths; in 1911, 69 cases with 8 deaths; in 1910, 198 cases with 14 deaths; and in 1909, 282 cases with 22 deaths.

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VENEREAL DISEASES.

The application of preventive measures to reduce the frequency of venereal diseases, begun four years ago, has been continued throughout the past year with success. There still remains room for a marked improvement. This class of disease at most posts still constitutes the greatest source of noneffectiveness. A better comprehension of the general scope of the subject of the prevention of venereal diseases is now possible. The discussion of this subject at the last International Congress of Medicine in London showed still great divergence of opinion, but, nevertheless, indicated hope for an improvement. It is, therefore, not unnatural that there should be considerable difference in views held by medical officers of the Army on this subject. The encouraging feature is the reduction in the incidence of these diseases in the Army, and the great and continued interest displayed by communities and even State organizations. The interest is world-wide and promises to remain so, but, as long as it is not merely a question of medicine, even more largely a great international social problem, the Army must expect to be limited in its improvement by the conditions of the society surrounding it.

While there has been a general improvement in the Army as a whole, the results at different posts in carrying out venereal prophylaxis have been very variable. As the method now is fairly well crystallized and, therefore, much the same in each command, the results seem to be in proportion to the earnestness and intelligence of the commanding officers and the surgeons entrusted with carrying out the orders on this subject. Directions are so explicit and cover so well the different phases of this subject that the individual personal equation of the surgeon is a less important factor in this matter than is that of the commanding officer. In other words, the orders covering the subject of the prevention of venereal diseases in the Army are no exception to any other orders in that compliance with them depends upon the character of the commanding officer charged with enforcing them.

A study was made by this office with a view to determining the influence of locality and distance of Army posts from cities in the bearing that it might have on the prevalence of venereal diseases in those commands. Venereal prophylaxis has to be taken within a certain length of time after exposure in order to be effective. At posts at such distances from cities that a considerable period of time would elapse before the soldier could return to take the venereal prophylaxis after exposure to infection, it was thought the incidence

would be high for these diseases. On examination this was found to be by no means always the case. While it was true for some posts under such conditions, it was not for others, and one was forced to the conclusion that the posts where the incidence of the venereal diseases was low, had attained that desirable condition through an enforcement of the orders on this subject. The character of the command also influences the incidence of venereal diseases. Older and more settled soldiers, especially in the garrisons where many of them are married, would be expected to affect the rate favorably and such seems to be the case.

In the Philippines the social conditions seemed to be a contributing factor in maintaining a higher rate for these diseases than in the United States; at any rate, it was apparently the only factor in the problem that differs from that of the United States. At the end of the second six months of 1913 the rates for venereal diseases were computed for the posts in the United States and those that showed a higher rate than for the first six months had their attention invited to this fact. It was hoped in this way that an improvement would result. It seemed reasonable that a post that had once attained a certain rate for diseases of that character should at least keep it to that and not develop a higher rate. In this, however, there was disappointment, for the rate at some posts continued to increase for the first six months of 1914. The only apparent reason for this was a failure in administration. This office is now able every month, through the data placed on the revised sanitary reports, to readily learn the prevalence of venereal diseases at any post. Many of the smaller posts report no new cases during the month, and even some of the larger posts show a remarkable improvement in the reduction of the diseases from month to month. In the face of a general improvement in the Army in this respect, several posts have continued to develop a higher rate rather than a lower one, and it is believed that the time has come when the commanding officers should be held accountable for excessive prevalence of venereal diseases in their commands. They certainly would be so held for excessive alcoholism or any other drug addiction, and it is believed that the "military instinct" should perceive as readily the value of maintaining a high state of physical efficiency through a low venereal rate as of keeping the "powder dry." While certain factors at some posts may exist that make it difficult or impossible to obtain as low a rate at one post as at some others, the failure to attain the lesser rate of the first six months of the year at the same post is a reflection on the manner in which the prophylaxis against venereal disease was carried out for the latter period. As venereal diseases are not "seasonal" nor epidemic in the ordinary sense, the conclusion is that the efforts to combat them were relaxed. This is the usual history of such a movement, and it was, therefore, believed desirable to call the attention of the proper officers to the increase of disease and consequent noneffectiveness and urge upon them a continuance of the efforts that have reduced the rate in the United States from 115.74 in 1912 to 85.83 in 1913. Nothing has been shown to disprove the confidence in the efficacy of prophylaxis.

In grouping the posts referred to above with reference to their situation in or near cities, the fact appeared that the rate was constantly 27 to 28 points higher at those posts that were in less ready

communication with cities than at those posts that were either within the limits or had most convenient means of communication. The explanation of this condition would appear to be that at those posts the higher rate was caused by the failure of those exposing themselves to infection to return for treatment within the time during which prophylaxis is effective.

It was hoped that the sale at post exchanges for a nominal price of prophylactic packets would encourage the soldier to carry one with him that it might be used when he remained away from the post for such a time that prophylaxis, when he returned, would no longer be effective. But, as the chief surgeon of the Eastern Department has noted in his annual report, soldiers do not seem to be willing to purchase these packets. Many exchanges report few, if any, sales, and apparently either the K-packet must be distributed without charge to the soldier or passes should be restricted to such time as would bring back those likely to be exposed to infection before the time had elapsed during which prophylaxis is effective.

It is, however, the opinion of this office that an exact application of the provisions of General Orders No. 17, War Department, 1912, with the muleting of pay of those liable under General Orders No. 31, War Department, 1912, would result in a further reduced rate in disease and an increase in the effectiveness of the Army due to improved health. As venereal diseases continued during 1913 to cause a noneffective rate equal to the combined rates of the four diseases next in order, it is important that the campaign against them be continued.

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MALARIAL FEVERS.

The occurrence of malarial fever in the United States continues to decrease. The admission rate for 1913 was 8.79, as compared with 14.22 for 1912, 14.68 for 1911, 16.36 for 1910, and 23.06 for 1909. The rate this year is the lowest on record in this office, and also the most marked annual reduction since 1910. The noneffective rate is still more impressive, being a little over one-half of that for 1912 and was 0.18 per 1,000, as compared with 0.30 in 1912, 0.35 in 1911, 0.36 in 1910, and 0.51 in 1909.

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Fort Washington, Md., no longer heads the list of posts in the United States with high malarial rates. The intelligent and earnest work done at that post during the last two years is showing its result in a rate which has been reduced to 35.62 for 1913.

Comparatively recently it has been discovered that mosquitoes were breeding in the catch basins and wells and also in eave troughs that did not completely discharge all rain water reaching them. Measures have been taken to destroy these breeding places by correcting faulty drainage and screening wells that mosquitoes may no longer be able to reach them. With these improvements carried out it is confidently expected that future rates for that post will be even lower. However, as the inhabitants of the surrounding country are probably infected with malaria, there will always be danger of the soldiers acquiring this disease while visiting in the neighborhood. This same condition of affairs prevails in all places in which our troops

are stationed where the inhabitants are living on lower sanitary planes than the garrisons. The surgeons for the last four or five years at Fort Washington deserve commendation for this persistent fight against this disease. They have been supported by the commanding officer and quartermasters, and it is now hoped that the opprobrium under which this post has labored for so long as the most highly malarious in the service is permanently removed. It is regretted that posts which last year were not shown in this table are now found there. Fort Howard has the unenviable distinction of having the highest rate of any post in the United States, showing a decided increase over last year when it was seventh on the list.

The total admission rate for malarial fever in the Army was 24.75, as compared with the rate for 1912, which was 40, and for 1911 which was 25.18. This shows a slight reduction over the rate for 1911 in spite of the marked increase in 1912, due largely, it is thought, to the field service conditions existing in the Philippines in that year. It is possible that there were other factors, climatological in character, that assisted in this increase in the Philippines for 1912, and of which we may not have been aware.

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TUBERCULOSIS.

The following tabulation shows for the total American Army, and separately for the different countries where the Army has been stationed continually, the case rate for tuberculosis (all forms) for enlisted men for the last five years. In this tabulation all readmissions during each year have been eliminated, so that the actual occurrence of tuberculosis (all) is shown:

Tuberculosis (all)—enlisted men, case rates only.

Year.	United States.	Philippine Islands.	Alaska.	Hawaii.	Transports.	Panama.	China.	Total.
1913	3.07	6.70	1.75	4.24	4.37	3.76	3.29	3.66
1912	3.25	5.02	4.18	2.07	2.74	.....	.....	3.49
1911	3.64	3.77	2.68	1.99	1.76	.....	.....	3.55
1910	3.34	5.46	1.85	4.10	0.80	.....	.....	3.65
1909	4.53	5.06	3.76	2.96	3.00	.....	.....	4.53
1908	3.99	6.10	2.96	3.92	3.46	.....	.....	4.39

It is important to know that for the year 1913, as shown in the tabulation, the rate for tuberculosis in the United States is lower than for any previous year recorded, being 3.07. The general rate for the American Army was 3.66, or about the same as that for 1910, being higher than the rate for 1911 and 1912. The increase in the rate is very small, and a study of the table will show that it is due to the increase in the rate among our troops in the Tropics, notably the Philippine Islands and Hawaii. As our troops in Panama and China have been there for a comparatively short time, a comparison of rates is not available, nor would it indicate anything of importance. All these places, except Alaska, have higher rates than that for the United States. The number of troops in Alaska and on transports is so small that these rates can be ignored. The actual number of cases of tuberculosis on transports was three, the same number as for 1912,

the difference in the rate being due to a smaller mean strength in 1913. The figures for Hawaii become of more importance since our garrison there was increased about 45 per cent. To summarize them the rate for the United States is encouragingly low. The general rate for the Army, slightly higher than for the past two years, is due, apparently, to increases in the rates for our troops in tropical countries.

The following tabulation shows for the total American Army and for that part stationed in the United States and the Philippine Islands, the rate for tuberculosis (all), for discharges for disability for deaths, and noneffectiveness for the last three years:

	Year.	Discharged for disability.	Deaths.	Noneffective.
Army, American troops	1913	2.26	0.49	1.94
	1912	1.56	.31	1.40
	1911	2.88	.44	1.35
American troops, United States	1913	2.16	.40	2.34
	1912	1.67	.27	1.65
	1911	2.85	.52	1.63
American troops, Philippine Islands	1913	3.95	.79	.56
	1912	1.46	.57	.53
	1911	3.77	.08	.29

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The total number of cases of tuberculosis is slightly smaller than in 1912. It is a matter of much satisfaction that the number at Vancouver Barracks, although larger than any other post, is not one-half of what it was in 1912 or 1911. Also that rates at Forts Porter, N. Y., Robinson, Nebr., Flagler, Wash., and Andrews, Mass., which were among the posts having higher rates in 1912, are about one-half this year of what they were then.

It is too early, the observation being limited to too short a time, to definitely account for the increase in the rate of tuberculosis in the Tropics, but it is not unlikely that it is associated with a longer tour of duty there than was heretofore customary. While there were many officers and soldiers who voluntarily remained in the Tropics for a number of years, they did so only after a physical examination and only when they felt able to volunteer to do so. The lengthening of the tour of duty leaves no choice in the matter, and it would not be at all surprising to find, in the course of time, a constantly higher rate — other things being equal — for troops serving longer tours in tropical countries. The constantly decreasing rate for tuberculosis in the United States tends to refute the attacks made on the system of immunization against typhoid in vogue in the Army since 1911.

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MENTAL ALIENATION.

It is impracticable to compare the admission rate for this class of disturbances with the rate for diseases formerly classified and published under the term "insanity." The diseases included under the term "Mental alienation" used in the present nomenclature, which was put into use January 1, 1912, include several conditions not included under the term insanity, such as defective mental develop-

ment, constitutional psychopathic state, hypochondriasis, and nostalgia. The case admission rate for this class of diseases was 2.92 per 1,000, and the discharge rate was 2.24.

ALCOHOLISM.

The admission rate for alcoholism in the United States for the year 1913 was 14.24, which is a further improvement over the preceding year, when it was 16.67. It is gratifying to observe that this rate has shown a steady diminution since 1907 following an equally steady rise for eight years before 1907. It is interesting to note that the rate for 1913 is the lowest for any year since 1870. This progressive improvement rather strengthens the contention of those who disapprove the restoration of the canteen. This matter, after all, appears to be closely associated with the public attitude with reference to alcoholic drinks. It would appear that the opinion of the country is generally setting away from alcohol in any form as a beverage. While "near beer," supposed to contain not more than 2 per cent of alcohol, is still sold at some posts, it is thought that even this will no longer be much in demand. It is believed that the Army will be well rid of any system of supplying alcoholic drinks. There really appears to be no more reason why they should be sold on Government reservations to soldiers than there now appears to us to be any reason for the regulation issue of grog of former days.

These rates do not represent the amount of intemperance existing in the Army, but as they are all calculated from similar data—that is, the number of cases in which medical assistance was invoked to avert danger—they are useful as indices of alcoholic excess. This marked decrease in the admission rate for 1913 is believed to be largely due to the effect produced by the act of Congress stopping the pay of officers and enlisted men when incapacitated for duty on account of sickness due to drug addiction, alcoholism, or other misconduct.

SMALLPOX.

Only 2 cases of smallpox occurred during the year. There was no death. In 1912 there were 6 cases without a death. Recent War Department orders relative to revaccination will, it is hoped, make more thorough the protection afforded by vaccination.

MEASLES.

During the year 1913, 457 cases of measles occurred in the United States, with 11 deaths and 1 discharge. In 1912 there were 426 cases, with 12 deaths and 6 discharges. A threatened epidemic of possibly serious proportions, similar to that occurring two years ago at Columbus Barracks, was avoided there by the prompt measures taken by the surgeon and the prompt cooperation of The Adjutant General's Office in diverting to other recruit depots all the applicants for enlistment usually sent to Columbus Barracks for a period of nearly two months.

CEREBROSPINAL MENINGITIS.

Thirty-two cases of this disease, with 11 deaths, occurred in the Army in the United States during 1913.

INFLUENCE OF STATION.

The posts having the highest noneffective rate this year are Forts Morgan, Ala.; Sam Houston, Tex.; and Bliss, Tex., the rates being, respectively, 42.73, 40.58, and 39.97. Each case admitted to hospital at Fort Morgan remained on sick report for an average of 13.35 days.

The posts having the highest admission rate for the year are Fort Morgan, Ala.; Jackson Barracks, La.; and Fort Oglethorpe, Ga., in the order named. The rates were 1,168.50, 1,077.59, and 984.40 per 1,000. The average number of days treatment for each case at Fort Morgan was 13.35; Jackson Barracks, 6.40; and Fort Oglethorpe, 9.87.

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INFLUENCE OF RACE.

The colored troops had higher rates than the white for noneffective, admissions, and discharges, being 54.08, 626.18, and 13.56, as compared with 22.68, 619.72, and 13.45. The death rate for white troops was, however, higher, being 4.96, as compared with 4.72.

For venereal diseases the rate for the colored troops was 106.13, and for the white 85.23; for alcoholism the rate for the white troops was 14.57, and for the colored 2.95; for tuberculosis (all kinds) the rate for colored was 5.31, and for white 3; for bronchitis the rate for colored was 31.25, and for white 28.72; for diarrhea and enteritis the rate for the white was 27.04, and for the colored 24.76; and for rheumatism, articular (all), the rate for white was 7.70, and for the colored 5.90.

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SANITATION, UNITED STATES.

The general sanitary conditions throughout the Army for the year were very good; but few defects of importance were reported on the monthly sanitary statement, and where possible they were promptly corrected through the cooperation of the commanding officers and quartermasters. In some instances considerable appropriations of moneys were required and, therefore, these matters could not always be promptly improved.

The principal sanitary oversights that have occurred seem to have been on the Canal Zone. When troops are sent to tropical stations which have not been occupied in the immediate past, certain precautions are necessary to take to prevent the preliminary sickness always arising. The most common of these tropical diseases is malaria. The cause of it is known and the means of prevention are highly effective. A destruction of mosquito breeding is the first important measure to be undertaken, and this should not be delayed until troops are actually in occupation of the post. Military exigency may send troops into the jungle where few, if any, prophylactic measures against mosquito-borne diseases can be carried out. But in time of peace there would appear to be no excuse for sending troops to posts where preliminary drainage and jungle clearing had not already been provided for. Crude oil and larvicide should also be on hand and, if the character of the buildings permits,

they should be effectively screened. In posts where permanent occupation is contemplated, buildings should always be of this character. Five months elapsed on the Canal Zone before suitable supplies of oil and larvicide were on hand to take measures against mosquito breeding at the garrison occupied by the Tenth Infantry. In an opinion called for by the War Department, this office has stated that a commanding general should be as much shocked to find barracks at tropical posts unscreened as to find the buildings in the Dakotas unprovided with doors and windows, and that quartermasters should as soon think of leaving a post in the Tropics, which was to be occupied, without oil and larvicide as to leave a post in the Dakotas for the winter months without a supply of fuel.

Our sanitary instinct in relation to life in the Tropics has not yet developed to the same point that it has in connection with living in a Temperate Zone.

The modification made in the blank form of the sanitary report now requires comment every month by the surgeon on the subject of the milk supply of the post and the character of the dairies from which it is obtained, also a statement concerning the number of new cases of venereal disease acquired by soldiers during the month. This additional data requires the post surgeon to keep closer observation of this important article of food which has been the conveyor of diseases, and also stimulates interest in reporting the character of local dairies. The statement with reference to venereal diseases during the month must necessarily keep this matter before the post commander and the surgeon, and is a ready method of keeping this office informed of any excessive rate.

In commenting on the semimonthly physical inspection of the men as required by general orders, the department surgeon of the Eastern Department makes the following statement:

> It is believed that the semimonthly inspections of the men is absolutely futile unless it can be done without notice, as contemplated in the order above cited. It is understood that this is difficult because of the variety of duties upon which the men of an organization may be employed, it being sometimes necessary to advise company commanders 24 hours in advance in order that all the men of the organization may be present at such inspection. The suggestion contained in the order, that the inspection take place after formation would be feasible for the great majority of the men of the company if the services of the surgeon were then available. But it is believed that such inspections could be made by an instructed noncommissioned officer in the presence of and under the supervision of the organization commander. Everyone suffering from bad feet, venereal disease, or other defects could then be sent to the hospital for further examination and disposition by the surgeon. Line officers easily become familiar with such conditions when placed on recruiting duty, and if required to keep posted as to the physical condition of their men would take a more definite interest in their personal habits.

We can not entirely agree with this officer that the inspection as now carried out is futile, as it has too often been demonstrated that its institution is followed immediately by an increase in the number of venereal cases. This simply means that the cases have been discovered by the inspection. It is not contended that inspections made without warning would not be more desirable than when made as at present. However, this is difficult to do for many reasons. Should any change be necessary, it is believed the most satisfactory arrangement would be to make the physical inspection immediately after the troops had been assembled for some time, as after the return

from drill and before they had been given an opportunity to enter barracks. In this way it is believed that all cases of venereal disease with acute symptoms would be observed; however, it does not appear necessary to adopt generally such a method.

The Southern Department has been, from the point of field sanitation, the most interesting geographical division during the year. This has been due largely to the unusual number of troops that have been sent to that department and which have been in camps along the border the greater part of the year between Brownsville and El Paso, Tex., and the Rio Grande, and further west into California. Speaking of the general health of the command the department surgeon of the department says:

> Despite the unusual conditions of scattered camps, some of these being in unfavorable situations and of prolonged occupancy, health conditions have been uniformly excellent. The percentage of preventable diseases has been gratifyingly small, and no epidemics of contagious affections have occurred at any point. Though the strength of the command has been greatly augmented and the number of camps increased, the percentage of its members constantly sick and the ratio of disability per thousand are not greater than in the previous year. The proportion of the command constantly sick was a little less than 2 per cent, or about 1 man in every 51. Expressing this fact in another way, we may say that in each of our depleted companies, there was an average of but 1 member on sick report throughout the year.

In this department venereal diseases caused one-third of the amount of physical inefficiency during the year. To quote this officer further:

> There are certain affections other than injuries which furnish a large amount of disability. Briefly, these are diseases of the respiratory tract, venereal disorders, and rheumatism. The cases under the second head are clearly preventable and many of the other two are likewise so. With respect to the operations of General Orders, Nos. 17 and 31, War Department, series of 1912, this office is of the opinion that the efficiency of the measures therein prescribed depends very largely upon the degree of compulsion exercised by local commanders in carrying out the provisions of paragraph 2, General Orders 17.
>
> No case of typhoid fever has developed in the department since its formation in February, 1913, a period of 16½ months. This fact furnished striking proof of the efficacy of antityphoid inoculation. Such serious diseases as smallpox, cerebrospinal meningitis, and diphtheria have been practically negligible. Camp diseases other than typhoid, as dysenteries and epidemic diarrheas, have been almost entirely absent.

Under the subject of "Care of the sick" he states:

> The facilities for this purpose are fairly adequate. Medical officers are stationed at the 7 permanent posts and at 39 of the temporary camps, while there is at least one competent Hospital Corps man at all but one of these points. The post hospitals at Forts Sam Houston, Bliss, and Huachuca are utilized as base hospitals and medical supply depots for troops in the field. On June 30, 1914, these hospitals had 153, 85, and 36 patients, respectively, under treatment. Each regiment in the field has its normal infirmary, with such additional articles as experience has demonstrated to be desirable. Lesser stations are provided with medical supplies suited to their needs. A departmental laboratory, completely equipped for serum bacteriological and chemical diagnosis of disease, is maintained at Fort Sam Houston, to which specimens are forwarded by medical officers at all stations. Cases not suitable for treatment in regimental infirmaries are promptly transferred to a base hospital.

Of particular interest must be the sanitary arrangement of the camp of interned Mexicans. After the battle of Ojiinaga, which occurred on January 1 and 2, 1914, the Federal refugees fled across the border and were arrested by the United States forces and marched to Fort Bliss, Tex. Later on they were sent to Fort Wingate, N. Mex. This routed force, with its camp followers, amounted to about 5,000 people. When they reached Fort Bliss typhoid fever and smallpox were already present among them. From a sanitary point of view

they furnish a very interesting comparison to our own troops in the field. Following is the comment of the department surgeon:

In January about 5,000 Federal Mexican soldiers, including their female camp followers, were interned at Fort Bliss. The care of this number of people suddenly thrust on the Medical Department made a difficult situation for the department in regard to medical personnel. All the surgeons and enlisted personnel that could possibly be spared were sent for duty at the detention camp. Maj. Clarence J. Manly was designated as sanitary officer of the camp; 5 medical officers were sent to assist him; also 2 sergeants and 10 privates, Hospital Corps. Four Hospital Corps sergeants were temporarily borrowed from Fort Bayard, N. Mex. An attempt was made to use the medical personnel of the Mexican Army, but they were found to be very small in numbers and of little or no value. The sanitation of the camp conformed to the general usage of the Army. The Mexican soldiers showed great ingenuity in building adobe incinerators. The entire camp was vaccinated against smallpox and also was given the three doses of typhoid prophylactic. All this was without any serious objection on their part. No cases of typhoid fever appeared in the camp. From inquiries made of medical officers serving along the Mexican border the opinion is found that typhoid fever, while it does exist is not a very prevalent disease. Ten cases of smallpox developed. These cases were isolated, and after the vaccination was completed, no new cases appeared. It may be remarked that with the personnel available, 4,943 inoculations of the typhoid prophylactic were administered in one day.

Some sickness and a few deaths have occurred among these people at Forts Bliss and Wingate. Out of 37 deaths among the strictly military personnel, 13 (35 per cent) were from tuberculosis. The mortality for the six months during which the Mexicans have been held, has been at the rate of 21.8 per 1,000, or actually higher than the morbidity among the American troops in the department. This is due to a set of conditions among which the most prominent are: Impressment of men unwilling to serve; no preliminary tests as to physical eligibility of recruits, hard field service; bad hygienic and sanitary conditions; lack of proper medical care and attention among Mexican troops of either party; mental depression. For the great majority of these people, circumstances as to food, shelter, sanitation, and other matters which make for health, are now far better than they have ever experienced. It is reasonable to expect that, from this time forward, these favorable influences should be felt and that conditions among them should improve.

This officer further states, under the head of "Sanitation":

The practical application of our knowledge of hygienic laws is much more difficult in camps than in garrison. Moreover, the difficulties have been increased by the necessity for placing many of the border camps in or close to communities, many of whose members are entirely ignorant of, or pay no attention to, the laws of health. Among these people some of the most serious affections, such as smallpox, tuberculosis, typhoid fever, and hookworm diseases, are almost constantly present. In such primitive communities, provision for the disposal of organic wastes is lacking and conditions suited to the propagation of certain of our insect enemies (flies, lice, mosquitoes, fleas, etc.) are ideal. Over these dangerous conditions, the military authorities may exercise little or no control. It is, therefore, a matter of sincere congratulation that our defenses against epidemic disease have not broken down at any point. In effect, support is had for the statement of the late Surg. Gen. Torney, in his last annual report that "Troops properly protected * * * can live in camps properly located, with the present system of camp sanitation, for an indefinite length of time without increased morbidity."

WATER SUPPLY.

Improvements in the water supply at several posts are contemplated and will be made when public funds permit.

BARRACKS AND QUARTERS.

Some complaints of overcrowding in barracks have been made; the most important at Columbus Barracks Recruit Depot. This was the condition when an epidemic of measles broke out there this

spring. In an endeavor to prevent the spread of this disease and to avoid the fatal consequences so marked there in 1911, prompt action by The Adjutant General's Office in diverting to other recruit depots applicants for enlistment, together with the measure of ordering away recruits to posts, relieved the overcrowding and permitted the effective stamping out of the threatened epidemic.

Several guardhouses have been reported as too small for the normal number of prisoners. It is believed that this point in garrisons does not receive all the attention from commanding officers and medical officers that it should. Epidemic diseases have frequently originated in guardhouses that apparently were overcrowded or insanitary. It is dangerous to have in a garrison such a focus of disease, and prison rooms should certainly have sufficient cubic capacity per capita to prevent their becoming a center and distributing point of infectious diseases. Most of them particularly need sufficient bathing facilities and places for washing and drying clothing.

Two isolation hospitals that were appropriated for were not constructed. The newer ideas in relation to the subject of isolation and disinfection render them unnecessary.

It is believed that economy can be effected in the more conservative use of disinfectants, especially in their application to terminal disinfection. The excessive amount of terminal disinfection expected by the public does not seem to be warranted by the facts, and the more advanced opinion in the profession indicates that much of the terminal disinfection is superfluous.

SMOKE NUISANCE.

Complaints have been made this year concerning the smoke nuisance at Forts Leavenworth, Sheridan, Wayne, and Columbus Barracks. Some improvement seems to be promised at all of these posts, but it is a point to note in future selections of sites for garrisons.

CLOTHING.

Numerous complaints have been registered concerning the service cap, which does not protect the head and eyes in hot weather, and has been found inefficient as an article of headdress in wet weather.

Some complaint has also been made against the campaign hat for the hot season in the Tropics, it is not considered an ideal article of headdress under such circumstances, though it is preferred under all circumstances to the service cap. The latter article is not prescribed for use under field-service conditions and, if it is not efficient then, it is not seen how it can be at any other time. The soldier's head and eyes need as much protection when in the sun at drill as when he is actually in the field.

The present type of army shoe is believed to be the most satisfactory that the Army has ever had, and the approval with which it meets supports the action of the board for the selection of the proper shoe for the Army, of which Maj. Edward L. Munson, Med. Corps, was president.

REGULAR PHYSICAL EXAMINATION.

The prescribed physical examination of soldiers made twice a month gives opportunity to detect cases of poor physical development. In most posts there are gymnasiums well equipped with the necessary apparatus, where soldiers may, under proper direction, correct and improve muscular defects. It is believed that sufficient attention has not been paid to this part of the post surgeon's duties. With the cooperation of the company officers, much may be done to improve both the appearance and the health of the young soldiers through proper physical exercises.

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ALASKA.

The mean enlisted strength of the troops serving in Alaska during the past year was 1,141, as compared with 1,197 in 1912. This force consisted of Infantry, Signal Corps, and Hospital Corps, all white. Alaska still remains the healthiest region in which the Army is stationed. The noneffective, admission, and death rates were all lower in 1913 than in 1912. The discharge rate was somewhat higher.

The admission rate for all causes was 495.18 per 1,000 in 1913, as compared with 511.28 in 1912. The rate for disease was 354.08 per 1,000, and that for external causes 141.10. The corresponding rates for the United States were, for total causes 619.90 per 1,000, that for disease being 487.94, and that for external causes 131.96. The diseases having the highest admission rates were: Venereal diseases, 25.42; alcoholism, 21.91; diseases of the pharynx, 28.05; and bronchitis, 27.17 per 1,000. The rate for discharge on certificates of disability in 1913 was 9.64, and in 1912, 5.01.

Admission rates for some of the principal diseases for Alaska, American troops (enlisted men).

Disease.	1913	1912
Influenza	36.81	5.85
Bronchitis	27.17	14.20
Venereal diseases	25.42	41.77
Muscular rheumatism	22.79	25.06
Alcoholism (all)	21.91	30.07
Gastritis, acute and chronic	21.03	15.03
Tonsillitis	16.65	20.05
Diarrhea and enteritis	11.39	10.86
Appendicitis	11.39	6.68
Rheumatism, articular (all)	10.51	6.68
Mental alienation	5.26	6.68
Constipation	2.63	10.02
Mumps	1.75	6.68
Synovitis	1.75	3.34
Malarial fevers	1.75	5.01
Tuberculosis (all)	1.75	4.18
Measles	.....	21.72

The noneffective rate was 13.62 per 1,000 in 1913, as compared with 16.24 in 1912. The rate for disease was 9.13, and for external causes 4.49 per 1,000. The diseases causing the highest noneffective rates were: Venereal diseases, 0.76; mental alienation, 0.95; appendicitis, 0.84, and influenza 0.42 per 1,000.

Noneffective rates for some of the principal diseases for Alaska, American troops (enlisted men).

Disease.	1913	1912
Mental alienation	0.95	0.27
Appendicitis	.84	.34
Venereal diseases	.76	2.59
Rheumatism, articular (all)	.54	.18
Tuberculosis (all)	.53	.38
Bronchitis	.47	.28
Influenza	.42	.09
Muscular rheumatism	.35	.51
Gastritis, acute and chronic	.26	.18
Tonsillitis	.23	.26
Alcoholism (all)	.15	.57
Diarrhea and enteritis	.09	.12
Mumps	.09	.38
Malarial fevers	.03	.10
Constipation	.02	.08
Measles	.....	1.07

The death rate in 1913 was 4.38 per 1,000, and in 1912 it was 5.85 In actual numbers, 2 deaths occurred from disease and 3 from external causes.

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PHILIPPINE ISLANDS.

AMERICAN TROOPS.

A marked improvement in the health of the American troops stationed in the Philippines is shown for the year 1913, as compared with 1912. The excessive rates for malarial and venereal diseases have been markedly reduced. This is apparently partly due to less field service and maneuvers, and to renewed efforts on the part of line and medical officers to reduce the frequency of these preventable diseases. As noted in last year's report, the high malarial and venereal rates were the occasion of special investigation and renewed efforts for their reduction. It is, therefore, satisfactory to report an improvement in response to these efforts for the year 1913.

The mean strength of the American troops stationed in the Philippine Islands for the year was 11,188 (S. G. O.). Of this number 9,377 were white, and 1,811 were colored. In addition there were the Philippine Scouts with a mean strength of 5,096 (S. G. O.).

CONSTANTLY NONEFFECTIVE RATES.

The total constantly noneffective rate for the year was 30.91; that for the white troops being 31.35, and for the colored 28.63.

The total noneffective rate for disease in 1913 was 26.84 per 1,000, as compared with the corresponding rate of 39.85 for 1912, and 37.83 for 1911.

ADMISSION RATES.

As stated on page 338 in the tabulation for 1913, the readmissions for what is obviously the same attack of the same disease have been omitted. During the year there were 10,316 case admissions for all causes, white and colored troops, and with a mean strength of 11,188,

making a case admission rate of 922.06, as compared with the corresponding rate of 1,246.99 for 1912, 1,132 for 1911, and 1,144 for 1910. The case admission rate for disease was 776.28 for 1913, 1,075.34 for 1912, 947 for 1911, and 956 for 1910. The case admission rates for white troops for diseases, injuries, and all causes were 784.47, 151.22, and 935.69 per 1,000, as compared with the corresponding rates for colored troops, which were, respectively, 733.85, 117.61 and 851.46 per 1,000.

The case admission rate for injuries was 145.78, as compared with 171.64 for 1912, 185 for 1911, and 188 for 1910. It is thus apparent that the admission rate for injuries was lower in 1913 than it has been for several years previous.

DISCHARGE ON CERTIFICATES OF DISABILITY.

The American soldiers are very rarely discharged in the Philippines, the cases being invalided home and discharged in the United States, but these are, however, credited to the Philippines.

The discharge rate for 1913 was 14.14, as compared with the corresponding rate of 9.63 per 1,000 for 1912. The rate for disease was 13.44 per 1,000 and that for injury 0.70, as compared with the corresponding rates of 8.34 and 1.29 in 1912. The total rate for the white troops was 14 and that for colored troops was 14.91.

The diseases causing the highest number of discharges were:

Disease.	Absolute numbers.	Rate per 1,000.
Mental alienation	41	3.60
Tuberculosis (all)	45	3.95
Venereal diseases	24	2.11

The corresponding rate for mental alienation in the United States was 2.24 per 1,000, being lower than the rate in the Philippines.

DEATHS.

Deaths occurring in the United States in persons invalided home from the Philippine Islands are credited to the Philippines. There were 59 deaths in 1913, 50 from disease and 9 from external causes, the total rate being 4.87 per 1,000, that for disease 2.48, and for injuries 2.39. These figures are for officers and enlisted men. The corresponding rates for 1912, officers and enlisted men, were: Total, 5. 6 per 1,000; diseases, 2.82, and injuries, 2.44 per 1,000. There were 2 deaths from drowning in 1913, and 13 in 1912; 3 from suicide in 1913, and 3 in 1912; 2 from homicides in 1913, and 4 in 1912. There were 3 officers and 3 enlisted men, American troops, killed in action in 1913.

Tuberculosis caused 9 deaths in 1913, and 7 in 1912; malaria, 2 deaths in 1913, and 4 in 1912; dysentery, 6 in 1913, and 1 in 1912; organic disease of the heart, 2 in 1913, and 1 in 1912.

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HAWAII.

Oahu, on which is situated the city of Honolulu, is the only garrisoned island of the Hawaiian group. The mean enlisted strength of the garrison during the year 1913 was 6,130 as compared with 3,376 during 1912. Of these 6,130, 5,082 were white and 1,048 colored troops. Though possessing a salubrious and temperate climate, except the death and discharge rates, all rates were higher than for the United States. The average number of days treatment for each case was 12.58 days, as compared with 13.51 for the United States.

The admission rate in 1913 was 701.63 per 1,000 as compared with 936.32 for 1912. The rate for disease in 1913 was 526.59 per 1,000 and for external causes 175.04. That for disease in 1912 was 680.69 and for external causes 255.63. Some of the principal diseases causing the highest admission rates were: Venereal disease, 91.68 per 1,000; diarrhea and enteritis, 21.04; bronchitis, 56.12; and diseases of the pharynx, 35.56. No nonefficiency was caused by venomous bite or sting. A little less than one fourth of the total nonefficiency for diseases and a little less than one fifth of the total number of admissions were caused by venereal diseases.

The constantly noneffective rate was 24.18 per 1,000 in 1913, as compared with 33.44 for 1912. The rate for disease was 19.23 and that for external causes 4.95 per 1,000, as compared with 26.57 for disease and 6.88 for injuries in 1912. The diseases causing the highest noneffective rates were: Venereal disease, 5.04; bronchitis, 1.07; appendicitis, 0.88; and diarrhea and enteritis, 0.23.

The rate for discharge for disability was 10.07 per 1,000, 9.43 being for disease and 0.64 for external causes. In 1912 the total rate was 18.07, that for disease being 16.29 and that for external causes 1.78 per 1,000.

The death rate was 3.67 per 1,000 as compared with 3.85 in 1912. In actual numbers, 23 deaths occurred, 10 being due to external causes and 13 to disease. Four of these deaths from external causes were due to drowning.

In 1913 there were 106 enlisted men invalided home. In 1912 there were 78 enlisted men invalided home from the Hawaiian Islands. The diseases or conditions causing the highest number of men to be invalided home were: Mental alienation, 28; venereal diseases, 7; flat foot, 4; tuberculosis, 22; and neurasthenia, 6.

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PANAMA CANAL ZONE.

The mean enlisted strength of troops serving in the Panama Canal Zone during the year 1913 was 797. This force consisted of Infantry and detachments of Hospital Corps and noncommissioned staff.

The admission rate for all causes was 853.20, that for disease being 745.29 and that for external causes being 107.90. The diseases causing the highest admission rates were: Venereal diseases, 196.99 per 1,000; malarial fevers, 145.55; diseases of the pharynx, 38.90; and influenza, 32.62.

The noneffective rate was 30.23 for all causes, that for disease being 26.61 per 1,000, and that for external causes, 3.61. The diseases causing the highest noneffective rates were: Venereal diseases, 5.41

per 1,000; malarial fevers, 5.31; lymphadenitis, 1.71; appendicitis, 1.59; mental alienation, 0.80; and tuberculosis, 0.68.

The rate for discharges on certificates of disability was 38.90.

The death rate was 6.27 per 1,000, that for disease being 1.25, and that for external causes, 5.02. In all there were 6 deaths, including 1 among officers. Included in this number were 5 deaths from drowning.

Thirty men were invalided home, 9 being for flat foot, 3 for tuberculosis, 2 for organic disease of the heart, and 3 for diseases of the joints.

Admission rates for some of the principal diseases for Panama Canal Zone, American troops (enlisted men).

	1913	1912		1913	1912
Venereal diseases	196.99	68.56	Muscular rheumatism	10.04	7.76
Malarial fevers	145.55	120.31	Rhinitis, acute	6.27	41.40
Tonsillitis	36.39	62.10	Hemorrhoids	6.27	10.35
Influenza	32.62	37.52	Diarrhea and enteritis	5.02	12.94
Furuncle	23.84	12.94	Rheumatism, articular (all)	5.01	16.82
Lymphadenitis, nonvenereal	21.33	3.88	Dysentery	3.76	6.47
Bronchitis	20.08	25.87	Pleurisy	3.76	7.76
Flat foot	12.55	10.35	Tuberculosis (all)	3.76	7.76
Alcoholism (all)	16.29	6.47			

Noneffective rates for some of the principal diseases for Panama Canal Zone, American troops (enlisted men).

	1913	1912		1913	1912
Venereal diseases	5.41	3.16	Hemorrhoids	0.30	0.52
Malarial fevers	5.31	5.60	Muscular rheumatism	.19	.05
Lymphadenitis, nonvenereal	1.71	.23	Dysentery	.15	.35
Tonsillitis	.91	1.74	Pleurisy	.12	.73
Tuberculosis (all)	.68	.90	Diarrhea and enteritis	.10	.11
Influenza	.56	1.20	Alcoholism (all)	.10	.05
Bronchitis	.55	.30	Rheumatism, articular (all)	.05	.59
Flat foot	.52	.82	Rhinitis, acute	.02	.16
Furuncle	.36	.13			

PORTO RICO.

The troops were all recruited and partly officered by native Porto Ricans. The regiment is commanded by a United States Army officer. The two garrisoned posts had a mean strength for 1913 of 594.

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The admission rate in 1913 was 818.18, as compared with 1,142.86 in 1912. The diseases with the highest admission rates for 1913 and 1912 were:

Diseases.	1913	1912
Acute abscess and cellulitis	79.12	61.22
Venereal diseases	77.44	105.44
Diarrhea and enteritis	69.02	112.24
Diseases of the nasal fossa	62.29	32.31
Malarial fevers	31.99	52.72

It will thus be seen that the rate for venereal diseases and malaria shows a very marked improvement.

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CHINA.

The mean enlisted strength of the troops serving in China during 1913 was 1,216. This force consisted of Infantry, a detachment of Signa Corps, Hospital Corps, and noncommissioned staff, all white.

The admission rate for all causes was 911.18, that for disease being 754.93 and that for external causes, 156.25. The diseases causing the highest admission rates were: Venereal, 226.15 per 1,000; influenza, 57.57; diarrhea and enteritis, 42.76; diseases of the pharnyx, 36.18; and alcoholism, 24.67. There were 4 cases of tuberculosis.

The noneffective rate was 26.91 for all causes, the rate for disease being 23.68 and that for external causes 3.23. The diseases causing the highest noneffective rates were: Venereal diseases, 9.28 per 1,000; pneumonia, lobar, 1.05; mumps, 0.86; influenza, 0.85; mental alienation 0.80; pleurisy, 0.67; appendicitis, 0.60; tuberculosis, 0.58; and typhus fever, 0.43.

The discharge rate was 4.93 for all causes. The death rate was 9.05 per 1,000, the rate for disease being 4.11 and that for external causes being 4.93.

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BOARDS FOR THE STUDY OF TROPICAL DISEASES.

During the year 1913 the board for this purpose, which was stationed in Manila, was composed of Maj. Percy M. Ashburn, January 1 to July 28; Capt. Edward B. Vedder, January 1 to April 19; Capt. Ferdinand Schmitter, June 3 to December 31; and Lieut. Ernest R. Gentry, January 1 to April 1.

Maj. Ashburn left Manila on July 28 for Tientsin, China, for the purpose of investigating the diseases and the sanitary conditions present among the Chinese in the vicinity of the stations occupied by the American troops. A very interesting report of this trip was furnished by Maj. Ashburn to this office and published in the February, 1914, issue of the Military Surgeon. Upon completion of this duty in China, Maj. Ashburn returned to this country and, after some time spent upon leave of absence, he proceeded to the Canal Zone for the study of tropical diseases as they exist there.

Since July 28, 1913, the board at Manila has consisted of Capt. Schmitter alone. The following report of work done, with the exception of that on scurvy, was done by him.

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GENERAL HOSPITALS.

LETTERMAN GENERAL HOSPITAL, SAN FRANCISCO, CAL.

This hospital is used as a base hospital for the Philippines and Hawaii; a post hospital for the Presidio, San Francisco, Fort Winfield Scott, and several smaller posts in the harbor of San Francisco, and a general hospital for the western part of the country. It is the largest general hospital in the Army.

During the year a new hydro-therapeutic ward, a disinfecting and sterilizing plant, the first building of the nurses' dormitory, and an addition to the detention ward were completed. These structures

are all of reinforced concrete. The commanding officer is of the opinion that in the future all new construction should be of this material, and that the older buildings should ultimately be replaced by new units thus built. He states that the following new buildings are needed: A garage, a storehouse for combustibles, a storehouse for medical property, the two remaining buildings of the nurses' dormitory, a double set of officers' quarters, a stable, and a workshop.

The medical and surgical work of the year was as heretofore of high class. It is of interest to note that only two cases of typhoid fever were admitted during the year. One of these cases was the wife of an officer, and the other one a member of the National Guard of California. Neither of them had received the typhoid prophylactic. The commanding officer states that the dental work desired for those entitled thereto has been greater in amount than could be done by the limited personnel, and that it has been necessary to give preference to officers and enlisted men in making appointments for this work, so that it has been possible to do but little for families.

The number of patients admitted during the year, including civilians and general prisoners, was 2,783. This was a decrease of 234 from the preceding year, the difference 234 being exactly the number by which the admissions for venereal diseases were reduced. There were 246 cases remaining in hospital December 31, 1912, making a grand total of 3,029 patients treated in this hospital during the year. Some of these patients were treated for more than one cause, and in the hospital tabulation more than one case was counted for such patients. The total cases treated were 3,209. Of this number of cases 119 were officers, 2,366 enlisted men, 665 civilians, and 59 general prisoners. There were 1,549 medical cases, 1,168 surgical, 325 venereal, and 167 mental. The daily average number of patients was 229. Of this number 11.4 were officers, 185.3 enlisted men, 27.6 civilians, and 4.7 general prisoners. The average number of days in hospital for each case was as follows:

	Officers.	Enlisted men.	General prisoners.	Civilians.	
				Male.	Female.
Medical	34.27	23.17	14.81	24.70	12.86
Surgical	35.44	26.06	11.16	12.19	12.40
Venereal	20.00	34.56	31.00	11.64	.....
Mental	85.00	71.81	80.07	85.50	71.00

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WALTER REED GENERAL HOSPITAL.

This is the general hospital at Washington, D. C., and also serves as post hospital for Washington Barracks, D. C., an autoambulance conveying the patients from the post at sick call and answering emergency calls.

Since the last annual report the contagious disease hospital, an additional ward to the hospital, and a hydrotherapeutic plant have been completed. In addition there have been a number of minor improvements and additions. The planting and seeding program whereby the appearance of the grounds will be improved from year to year, as funds become available, has been continued. There are only two sets of officers' quarters. The commanding

officer is of the opinion that the Government would be far better and more economically served by building quarters for all officers on duty there.

The number of cases admitted during the year, including retired officers, retired and discharged enlisted men, and civilians, was 817, this being an increase of 130 over the preceding year. Of this number, 139 were officers, 456 enlisted men, 26 retired officers, 38 retired and discharged enlisted men, 153 civilians, and 5 members of the Army Nurse Corps. Three hundred and thirty-seven of these cases were medical and 480 surgical. There were 64 cases remaining on sick report December 31, 1912, making a total of 881 treated during the year. The daily average number of patients was as follows: Officers, 14.48; enlisted men, 57.86; retired officers, 1.85; retired and discharged soldiers, 2.31; Army Nurse Corps 0.28; and civilians, 8.65; total, 85.43.

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GENERAL HOSPITAL, FORT BAYARD, N. MEX.

This hospital is for the treatment of cases of pulmonary tuberculosis in the Army. Fort Bayard is situated in the southwestern part of New Mexico; the reservation originally extended about 4 miles north and south and 3 miles east and west, and had an area of approximately 13½ square miles. Several years ago it was enlarged by the purchase of land to the north and by the addition, through Executive order, of various tracts of public land, the object of the enlargement being the more perfect protection of the watershed and the acquisition of additional water. On the north the land rises rapidly, reaching the height of 9,000 feet at Black Peak, about 8 miles from the post. In this direction the surface is broken by rocky hills covered with pinon, juniper, and western yellow-pine trees. The country is picturesque, and fine views are to be had from the hills. To the south the valleys widen into vast treeless plains. The feature which constitutes the peculiar excellence of the climate at Fort Bayard and distinguishes it from other parts of the Rocky Mountain Plateau is its relative equability. The climate is such that outdoor life is pleasant throughout the year. Two factors contribute to secure this result—the altitude and the geographical position. The altitude, 6,165 feet, prevents excessive heat; the hot plains of a lower elevation, which surround on all sides the mountainous region in which Fort Bayard is situated, temper the cold winds of winter and prevent excessive cold.

No new buildings were constructed during the year. An additional silo at the dairy was erected at the expense of the hospital fund. A small dam was constructed on a creek with the hope of being able to utilize storm water for irrigation of the field north of the post. The commanding officer states that—

> The dairy herd has increased so rapidly that it has now become necessary to take steps to diminish its size. The herd has been repeatedly tested by tuberculin and all animals that reacted have been killed, as well as a few of the older cows, negative to tuberculin, which were in poor condition. It is now proposed with the authority of the Surgeon General to sell a considerable number of the young heifers and the less valuable cows.
>
> The net profit arising from beef and pork produced during the present winter amounts to about $3,500. Not only is there a considerable profit by raising beef cattle and hogs, but also the meat thus obtained is of a much superior quality to that which can be obtained by purchase.

It is reported that the buildings devoted to ambulant patients have been overcrowded during the winter. The recommendation is renewed by the commanding officer that another ward be built in the location now occupied by wards 5 and 6. He also recommends that a fireproof vault be constructed in the cellar of the administration building for the storage of records.

The number admitted during the year including beneficiaries of the Soldiers' Home, civilians and general prisoners, was 766, this being an increase of 80 over the preceding year. There were 291 patients remaining December 31, 1912, making a total of 1,057 cases treated during the year. Of this number, 35 were officers, 478 enlisted men, 481 beneficiaries of the Soldiers' Home, and 63 civilians. Of the number treated, 991 were medical cases and 66 were surgical. The daily average of officers was 11.29; enlisted men 108.02; beneficiaries of the Soldiers' Home, 123.89; civilians, 13.44; total, 256.64.

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ARMY AND NAVY GENERAL HOSPITAL, HOT SPRINGS, ARK.

This hospital is intended especially for patients having diseases in which hydrotherapeutic treatment is indicated. Paragraph 1463, Army Regulations, 1910, states that—

> The Army and Navy General Hospital, Hot Springs, Ark., is under the direction of the Secretary of War, and is devoted to the treatment of the officers and enlisted men of the military and naval service of the United States, cadets at the United States Military and Naval Academies, officers of the Revenue-Cutter Service, officers of the Public Health and Marine-Hospital Service, and honorably discharged soldiers and sailors of the Regular and Volunteer Army and Navy of the United States, for such diseases as the waters of the hot springs of Arkansas have an estal lished reputation in benefiting.

The building for the nurses' quarters was completed during the year. In addition to this construction there were a number of minor additions and repairs made. A new mess has been started on the second floor of the administration building for the officer patients, utilizing a portion of the porch for a kitchen and one of the rooms as a dining room. All diets for officer patients are prepared and served here. Formerly those on full diet had to be subsisted outside of the hospital. The commanding officer states that a new ward for officers, quarters for two noncommissioned officers, barracks for the Hospital Corps and Quartermaster Corps, and a new hot-water reservoir are urgently needed.

During the year 858 cases were admitted, this being an increase of 43 over the preceding year. Of this number 35 were officers, 145 enlisted men, 7 retired officers, 19 retired enlisted men, and 652 civilians, chiefly veterans of the Civil War, admitted in accordance with the law. The daily average was 100.29.

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DEPARTMENT HOSPITAL, MANILA, P. I.

This hospital is the general hospital for the Philippine Islands. It differs from the general hospitals in this country in that it is not directly under the control of the Surgeon General, but owing to its geographic location it is under the authority of the department commander.

The new construction mentioned in the last report has been completed. During the year there was no other construction begun, but a number of minor improvements and repairs were made.

During the year 2,165 cases were admitted. Of this number 109 were officers, 1,206 enlisted men (Americans), 261 Philippine Scouts, and 589 civilians. Of the entire number 1,568 were classed as medical cases and 597 as surgical. In addition to this number, there were 86 remaining in hospital December 31, 1912, making a grand total of 2,251 cases treated during the year. The daily average number of patients was 94.73. Of this number 5.25 were officers, 57.21 enlisted men (Americans), 11.61 Philippine Scouts, and 20.66 civilians.

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LABORATORIES.

A laboratory is provided for each of the departments, the one at the Army Medical School, Washington, D. C., for the use of the Eastern Department; at Fort Leavenworth, for the Central Department; at the Letterman General Hospital, for the Western Department; and at Fort Sam Houston, for the Southern Department. The laboratory of the tropical board has been doing the special work required of a department laboratory for the Philippine Department, and one has been recently established at Honolulu in connection with the department hospital for the work in that department.

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MEDICAL DEPARTMENT.

The Medical Department consists of the Medical Corps, the Medical Reserve Corps, the Dental Corps, the Army Nurse Corps, and the Hospital Corps.

The following statement shows the strength of the personnel, commissioned, enlisted, and employed, by contract or otherwise, of the Medical Department on June 30, 1914:

Medical officers	426
Medical reserve officers, active duty	91
Contract surgeons	16
Dental surgeons, commissioned	28
Acting dental surgeons, under contract	39
Army Nurse Corps	150
Hospital Corps	4,055
Civil employees	239
Total medical personnel	5,044

MEDICAL CORPS.

The medical Corps is composed of the commissioned medical officers of the Regular Army.

Authorized strength June 30, 1914	444
In service June 30, 1913	424
Appointed during the year	16
Total	440
Losses during the year	14
In service June 30, 1914	426

On October 1, 1913, 19 candidates who had passed the preliminary examination for appointment in the Medical Corps reported at Washington to take the course of instruction at the Army Medical School. Seventeen successfully completed the course of instruction at the school and were graduated June 1, 1914. Sixteen of the graduates were recommended for appointment in the Medical Corps of the Army.

Losses during the fiscal year.

	Brigadier general.	Colonel.	Lieutenant colonel.	Major.	Captains.	First lieutenants.	Total.
Retired			1	1	1		3
Resigned					2	2	4
Discharged						3	3
Died	1	1			2		4
Aggregate	1	1	1	1	5	5	14

The deaths were Brig. Gen. George H. Torney, December 27, 1913; Col. Daniel M. Appel, April 22, 1914; Capt. Joseph O. Walkup, June 1, 1914; Capt. Armin Mueller, October 14, 1913.

PROMOTIONS DURING THE FISCAL YEAR.

The following promotions were made: One colonel to brigadier general; 1 lieutenant colonel to be colonel; 2 majors to be lieutenant colonels; 3 captains to be majors; 11 lieutenants to be captains.

The department held two preliminary examinations for appointment in the corps, the first on July 14, 1913, and the second on January 19, 1914, at various posts throughout the country. Fifteen applicants passed the preliminary examinations. Of this number, 10 attended the session of the Army Medical School, which ended June 1, 1914, leaving 5 who will attend the next session of the school. A preliminary examination will be held on July 13, 1914, at various Army posts throughout the United States, to which 27 candidates have been invited.

MEDICAL RESERVE CORPS.

On roster June 30, 1913		1,205
Appointed during the year		96
		1,301
Losses during the year:		
Resigned	16	
Discharged	3	
Died	12	
Commissions vacated by appointment to regular corps	16	
		47
On roster June 30, 1914		1,254

Of the 1,254 on roster June 30, 1914, 91 were on active duty and 1,163 on the inactive list.

On active list June 30, 1913	105
Ordered to active duty during the year	54
	159

Relieved from active duty	48	
Commissions vacated	16	
Honorably discharged	2	
Resigned	2	
		68
On active duty June 30, 1914		91

An officer of the Medical Reserve Corps residing in the vicinity of each military post has been designated as a locum tenens, and the policy has been adopted of calling such officer into actual service for duty at his post when all the regular medical officers thereat are called upon to accompany troops into the field. When the Second Division was mobilized in February, 1913, the medical officers were thus enabled to promptly leave the posts with the troops, their places being filled in the manner indicated.

CONTRACT SURGEONS.

In service June 30, 1913	9
Contracts made during the year	12
Total	21
Contracts annulled during the year	5
Contracts in force June 30, 1914	16

These contract surgeons are on duty at arsenals, remount depots, transports, etc., at the rate of pay ranging from $75 to $150 per month.

DENTAL CORPS.

Number of dental surgeons in service June 30, 1913	28
Acting dental surgeons in service June 30, 1913	23
Appointed during the year	19
Total	42
Contracts annulled	3
On duty June 30, 1914	39
Total	67

Two examinations of applicants for appointment as acting dental surgeons, United States Army, were held during the year—the first on October 13, 1913, and the second on April 13, 1914. On the first examination 13 candidates were successful; 12 received contracts and 1 declined contract. At the second examination 10 were successful, but it was possible to give contracts to only 7 of the number, as the act of Congress making appropriations for the fiscal year 1914–15 made provision for only 40 acting dental surgeons.

Under the act of March 3, 1911, acting dental surgeons who have served three years in a satisfactory manner become eligible for appointment as dental surgeons, and, after passing the prescribed examination, are eligible for commission in the Dental Corps with the rank of first lieutenant, provided the total number of dental surgeons of that rank did not exceed 60. Two acting dental surgeons will become eligible for such promotion during the latter part of the calendar year 1914, and the vacancies in the grade of acting dental surgeon occasioned by such promotions or arising from any other

cause will be filled from the list of successful applicants who have not already been appointed. It probably will not be necessary to hold another examination for candidates for appointment as acting dental surgeon until April, 1915.

HOSPITAL CORPS.

The authorized strength of the Hospital Corps is as follows:

Sergeants, first class	300
Sergeants	422
Corporals	50
Privates, first class, and privates	4,240
Total	5,012

The number of sergeants, first class, is fixed by law; the total strength of the Hospital Corps and the number in the various other grades is determined by Executive order.

Acting cooks are appointed from privates, first class, or privates, and it is estimated that about 225 are required under present conditions.

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Attention has been repeatedly called to the deficiency in the number of Hospital Corps authorized for service, and recommendation made for an increase. On April 29, 1914, the Secretary of War authorized an addition of 1,500 men, making a total of 5,012 for the corps. May 9, 1914, authority was granted for the appointment of 60 additional sergeants. To date 543 men in excess of the number previously allowed (3,512) have been reenlisted in, enlisted for, or transferred from the line to the Hospital Corps. The greater number of these men were used in the organization of new mobile units and field vacancies in the Second Division and with organizations on duty on the Mexican border.

The class of men secured for the Hospital Corps have by no means been satisfactory. During the excitement attending a possibility of active service in a campaign beyond the limits of the United States, a greater proportion of desirable men presented themselves for enlistment, and the commanding officer of one of the new organizations reported that he was receiving better men than had been serving with the detachment at his post. With passage of the incentive, the quality again deteriorated. A commanding officer of a post in commenting on his detachment expressed himself as follows:

> The sergeant is efficient and energetic, but the Hospital Corps men, with the exception of the sergeant, are the riffraff of the Army—and I am not putting it too strongly. In two or three cases they are not only woefully inefficient but are not clean personally. I have directed the surgeon to make a special report in the case and will give him any help he needs from our own troops. I really think that these men were transferred to rid some other command of worthless men—an almost criminal procedure when one considers how badly good Hospital Corps men are needed.

In each annual report of the Surgeon General for the past two or three years, attention has been invited to the inferior character of a considerable proportion of the men who are accepted for the Hospital Corps. And the reason for this has been pointed out, viz, the

inferior inducements offered by the Hospital Corps in comparison with the opportunities offered by other branches of the service. Bills have been introduced in Congress for improvement in this respect along the lines recommended by this office, but these have not received the approval of the War Department. It is earnestly recommended either that this disapproval be reconsidered or else that other inducements be made by means of special ratings or in any other way whereby service in the Hospital Corps can be made sufficiently attractive to secure a desirable class of men.

Fortunately, however, all the men secured, even under the present unfavorable condition, are not undesirable men and a number of individual cases have occurred during the year where enlisted men of the Hospital Corps have rendered efficient and distinguished service. In October, 1913, a train carrying a band and two companies of Coast Artillery Corps, left the track and crashed through a wooden bridge near Buckatunna, Miss., and as a result, 17 men were killed and nearly 100 more or less seriously injured. Sergt. Halbert M. Beasley, Hospital Corps, although he was himself injured, worked unceasingly in rendering first aid and assisting in the removal of the wounded. For this he was awarded a certificate of merit. On March 25, 1914, Pvt. First Class Thomas Mosely, Hospital Corps, was awarded a certificate of merit for distinguished gallantry in action against hostile Moros while private, Hospital Corps, when he bandaged a wounded officer, in the face of a heavy fire from the Moro trenches, and carried him to a place of safety at the risk of his own life. This at Bagsak Mountain, Jolo, P. I., June 11, 1913.

On April 21, 1914, Pvt. First Class Edward W. Morrison, Hospital Corps, was awarded a certificate of merit for meritorious conduct in rendering first aid to wounded comrades under fire of hostile Moros at Mamaya Peak, P. I., December 15, 1913. On March 6, 1914, a private of the Signal Corps detachment at Nulato, Alaska, presented evidence of an appendiceal abscess. No medical officer was present with this small detachment, but Sergt. First Class Richard A. Wood, Hospital Corps, diagnosed the case and communicated by telegraph with the surgeon at Fort Gibbon, about 250 miles distant. The surgeon started, but the distance had to be traveled by dog team and at least four days would be required for the trip. Two days later Sergt. Wood communicated with the surgeon by telegraph and stated the urgency of the symptoms and the condition of the patient. The condition of the soldier was so urgent as to demand immediate operative interference and Sergt. Wood was authorized to proceed. On the same day the sergeant opened and drained the abscess under a local anesthesia. When the surgeon arrived the patient was in good condition. The surgeon reports that in his belief Sergt. Wood, by performing a prompt drainage of the abscess, greatly facilitated the patient's recovery and probably saved his life.

In the last annual report and on many other occasions attention has been invited to the deficiency in the number of field hospitals and ambulance companies, making it impossible to provide these mobile units for service with troops in the field. In April and May, 1914, authority was given for the organization of four evacuation hospitals, three additional field hospital companies, and seven additional ambulance companies. To date Evacuation Hospital No. 1, at

Galveston, and Evacuation Hospital No. 2, at Fort Thomas, Ky., have been organized. The first of these is practically complete; the second is still a skeleton. Field Hospital Co. No. 5 and Ambulance Co. No. 5, with the Second Division at Texas City, and Field Hospital Co. No. 7 and Ambulance Co. No. 7 for the Cavalry division, with station at Fort Sam Houston, and Ambulance Co. No. 8 with Evacuation Hospital No. 1, at Galveston, have been organized and are practically complete in personnel and equipment, including transportation. Field Hospital Co. No. 6 and Ambulance Co. No. 6, belonging to the First Division, but temporarily stationed at Walter Reed General Hospital, are practically complete except as to transportation. None of these organizations have barracks and quarters or stables or wagon sheds belonging to them. The organizations belonging to the Second Division, being in the field, are under field-service conditions, and consequently the deficiency is not felt. Should the division be broken up, however, and the constituent organizations be returned to posts, Field Hospital Co. No. 5 and Ambulance Co. No. 5 would be homeless. The organizations of the Cavalry divisions are at present sheltered in buildings at Fort Sam Houston which belong to Cavalry organizations temporarily in the field. Should these return to the post, it is believed that Field Hospital Co. No. 7 and Ambulance Co. No. 7 would be evicted. Field Hospital Co. No. 6 and Ambulance Co. No. 6, while a tactical part of the First Division and under the command of the Eastern Department, occupy a building at the Walter Reed General Hospital, and accommodations thereat are so limited that no place can be found to shelter and care for the necessary transportation. For this reason the organizations have been provided with only a small portion of the necessary transportation, and consequently are not in a position to take the field.

It is earnestly recommended that estimates be prepared and legislation be obtained for the construction of the necessary barracks and quarters, stables, and wagon sheds for the proper housing of each of these organizations. Inasmuch as these mobile units of the Medical Department are divisional troops of their respective divisions, such construction should be in proximity to division headquarters—New York City, Chicago, and Fort Sam Houston.

ARMY NURSE CORPS.

During the period covered by this report the authorized strength of the Army Nurse Corps has been 150, an increase of 25 having been authorized, effective July 1, 1913. The total authorized number was in the service at the end of the fiscal year.

During the year 761 requests for application blanks had been received from graduate nurses, being an increase of 212 over the number of applicants for the preceding year. This interest in the organization has been due, largely, to the efforts of the superintendent of the Nurse Corps, she having been in close and constant touch with the leading training schools for nurses throughout the country. Fifty-seven original appointments and 2 reappointments have been made and 25 nurses have been discharged from the corps by reason of expiration of term of service or by their own request for personal reasons.

Nurses have been on duty at the following stations:

Letterman General Hospital, San Francisco, Cal.
Walter Reed General Hospital, Takoma Park, D. C.
Army General Hospital, Fort Bayard, N. Mex.
Army and Navy General Hospital, Hot Springs, Ark.
Department Hospital, Honolulu, Hawaii.
Department Hospital, Manila, P. I.
Fort William McKinley, Rizal, P. I.
Fort Leavenworth, Kans.
Attending Surgeon's Office, Washington, D. C.
Office of the Surgeon General.
From the beginning of the fiscal year until April, 1914, at Pettit Barracks, Zamboanga, P. I.

Owing to the withdrawal of a large number of troops from the District of Mindanao, the hospital at Pettit Barracks was discontinued as a district hospital and the nurses withdrawn therefrom.

With the occupation of Vera Cruz by United States forces it became necessary to provide nurses for duty therewith, and nine members of the Army Nurse Corps were ordered to that point, this number being supplemented by three enrolled Red Cross nurses, who were serving under contract with the Medical Department.

During the year new quarters for nurses have been completed at the Army and Navy General Hospital at Hot Springs, Ark., and these are now occupied.

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Very respectfully,

W. C. GORGAS,
Surgeon General, U. S. Army.

The SECRETARY OF WAR.

REPORT OF THE CHIEF OF ENGINEERS.

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, October 5, 1914.

From: The Chief of Engineers.
To: The Secretary of War.
Subject: Annual Report.

I present for your information the following report upon the duties and operations of the Engineer Department for the fiscal year ending June 30, 1914.

OFFICERS OF THE CORPS OF ENGINEERS.

The number of officers holding commissions in the Corps of Engineers at the end of the fiscal year was 212, a net increase during the year of 11.

Since July 1, 1913, the Corps of Engineers has lost four of its officers—Brig. Gen. William H. Bixby, who was retired from active service, upon his own application, August 11, 1913, under the provisions of the act of Congress approved June 30, 1882, after more than 44 years' service; Brig. Gen. William T. Rossell, who was retired from active service on October 11, 1913, under the requirements of the act of Congress approved June 30, 1882; Lieut. Col. David DuB.

Gaillard, who died on December 5, 1913; and Maj. Hubert L. Wigmore, who died on September 2, 1913.

There were added to the Corps of Engineers during the fiscal year, by assignment, 15 second lieutenants, graduates of the United States Military Academy, whose commissions date from June 12, 1914.

On the 30th of June, 1914, the distribution of officers of Engineers, according to their duties, was as follows:

Chief of Engineers, in command of the Engineer Department, etc.	1
Assistants to the Chief of Engineers	7
On duty in the office of the Chief of Engineers	1
River and harbor work and fortification work	19
River and harbor work, fortification work, The Board of Engineers, and department engineer, eastern department	1
River and harbor work, fortification work, The Board of Engineers, and lighthouse duty	1
River and harbor work and The Board of Engineers	1
River and harbor work and lighthouse duty	5
River and harbor work, fortification work, and lighthouse duty	7
River and harbor work and department engineer, central department	1
River and harbor work, fortification work, department engineer, western department, and lighthouse duty	1
River and harbor work	25
River and harbor work, fortification work, and preparing plans for defense of Panama Canal	1
River and harbor work and Fort Riley Military Reservation	2
River and harbor work, fortification work, department engineer, Hawaiian department, and lighthouse duty	1
River and harbor work and Vicksburg Military Park	1
River and harbor work, fortification work, and assistant department engineer, western department	1
River and harbor work, fortification work, and assistant department engineer, Hawaiian department	1
Fortification work and department engineer, Philippine department	1
Department engineer, southern department	1
Governor of the Panama Canal	1
On duty in connection with the construction of the Panama Canal	7
On duty with the General Staff Corps	2
With the government of the District of Columbia	4
Public buildings and grounds, District of Columbia	2
On duty at the service schools, Fort Leavenworth, Kans.	6
At Engineer School, Washington Barracks, D. C., and with troops stationed there	21
On duty with troops at Fort Leavenworth, Kans. (in Texas and Mexico)	17
In charge of engineer depot at Fort Leavenworth, Kans.	1
On duty with troops at Vancouver Barracks, Wash.	4
On duty with troops in the Hawaiian Islands	4
On duty with troops in the Philippine Islands	13
On duty connected with militia affairs	2
On duty as military attaché, Paris, France	1
On duty at the engineer depot, Washington Barracks, D. C.	2
On duty with the Board of Engineers	1
On duty at the United States Military Academy	12
Improvement of the Yellowstone National Park	1
Superintendent of the State, War, and Navy Building	1
On special duty	3
Under instruction at the Engineer School, Washington Barracks, D. C.	8
Road work in Alaska	1
On leave of absence	1
On leave of absence to permit employment by Republic of China in reclamation of Huai River	1
On sick leave of absence	1
Awaiting orders	1
On graduating leave of absence	15
Total	212

The above table shows that out of a total of 212 officers 74, or approximately 35 per cent, were on duty wholly under the control of the Chief of Engineers; 43, or 20 per cent, more were performing some duty under the control of the Chief of Engineers while at the same time performing other duties under various other branches of the Government; while 76, or 36 per cent, of the corps were on duty entirely detached from the control and supervision of the Chief of Engineers; in addition, 3 were on leave of absence and 15 were on graduation leave from the United States Military Academy.

With regard to the character of the duties performed, 53 officers were engaged on nonmilitary duty exclusively, 99 on military duty exclusively, and 40 were performing both military and nonmilitary duty.

An increase in the Corps of Engineers was provided for by Congress in section 5 of the river and harbor act approved February 27, 1911. Under the provisions of this act 12 original vacancies were immediately created, and 12 additional vacancies were created on February 27 of each of the three subsequent years, so that the authorized strength of the Corps of Engineers is now 236 officers. Since the assignment to the corps of the cadets graduating in the fiscal year 1914 there remain 24 vacancies in the grade of second lieutenant.

ENGINEER TROOPS.

Under the provisions of section 11 of the act of February 2, 1901, the enlisted force of the Corps of Engineers consists of one band and three battalions of Engineers, each battalion consisting of one sergeant major, one quartermaster sergeant, and four companies, each company having a maximum authorized strength of 164 enlisted men.

At the present time the band, the First and Second Battalions, and one company of the Third Battalion are stationed within the continental limits of the United States, the headquarters and three companies of the Third Battalion being on foreign service.

The Engineer troops required to provide the present tactical organization of the mobile Army within the continental limits of the United States, with its proper complement of Engineers, in accordance with the provisions of Field Service Regulations, 1914, are as shown in the following table:

Unit.	Engineers required.
Cavalry Division	1 battalion (mounted) of 3 companies.
First Division	1 battalion of 3 companies.
Second Division	Do.
Third Division	Do.
Field Army	Do.

As there are, as indicated above, only nine companies of Engineers at present available within the continental limits of the United States and as none of these are mounted, it would appear that the necessary steps should be taken to provide as soon as possible, first, a mounted battalion of Engineers for the Cavalry Division, and, second, the three additional companies required for the three divisional and one field Army battalions, providing at the same time for the reorganization of the existing Engineer battalions into battalions of three companies each.

It is accordingly recommended that effort be made to secure the legislation necessary to provide for the increased number of Engineer troops required and permit of the reorganization indicated above.

In this connection attention is invited to the recommendations made in the annual reports of the Chief of Engineers for the past six years regarding the establishment of certain higher grades of noncommissioned officers in the Corps of Engineers, comparable to those in certain other branches of the service, and this recommendation is renewed. The highly technical nature of certain of the duties devolving on noncommissioned officers of Engineers in the field demand a high grade of enlisted men and should be provided for by adequate rank and compensation.

Attention is also invited to the recommendations contained in annual reports of prior years for an increase in the number of cooks in an Engineer company. These recommendations are renewed.

THE BOARD OF ENGINEERS.

The regulations for the government of the Corps of Engineers provide for a board of engineers, consisting of not less than three officers designated by the Chief of Engineers, with the sanction of the Secretary of War. This board acts in an advisory capacity to the Chief of Engineers upon important questions of engineering. One of its principal duties is to plan or revise the projects for permanent fortifications of the United States.

The following changes have taken place in the personnel of the board since the date of the last annual report: By paragraph 8, Special Orders No. 94, War Department, 1914, Lieut. Col. Tracy C. Dickson, Ordnance Department, was detailed a member of the board, vice Col. E. B. Babbitt, Ordnance Department, relieved.

As at present constituted The Board of Engineers is composed of Col. W. M. Black, Corps of Engineers; Col. S. W. Roessler, Corps of Engineers; Col. Frederic V. Abbot, Corps of Engineers; Lieut. Col. Tracy C. Dickson, Ordnance Department; Capt. Francis A. Pope, Corps of Engineers, recorder and disbursing officer.

In addition, division engineers in whose divisions there are fortifications are members of The Board of Engineers when matters pertaining to defensive works in their respective divisions are under consideration by the board.

During the fiscal year the board has reported upon various subjects connected with fortification work.

FORTIFICATIONS IN THE UNITED STATES.

The scheme of national defense upon which work was in progress between 1888 and 1906 was based primarily upon a report submitted January 16, 1886, by the "Board on Fortifications or Other Defenses," commonly designated the Endicott Board. On January 31, 1905, the President organized a board, with the Secretary of War, Hon. W. H. Taft, as president, to review the projects for the United States and for the insular possessions, to indicate the localities where defenses were most urgently needed, and to determine the character and general extent of the defenses, with their estimated cost. This

board is known as the National Coast Defense Board. The board submitted its final report February 1, 1906.

Permanent seacoast defenses have been installed at the following localities in the United States:

1. Kennebec River, Maine.
2. Portland, Me.
3. Portsmouth, N. H.
4. Boston, Mass.
5. New Bedford, Mass.
6. Narragansett Bay, Rhode Island.
7. Eastern entrance to Long Island Sound.
8. New York, N. Y.
9. Delaware River.
10. Baltimore, Md.
11. Washington, D. C.
12. Hampton Roads, Virginia.
13. Cape Fear River, North Carolina.
14. Charleston, S. C.
15. Port Royal, S. C.
16. Savannah, Ga.
17. Key West, Fla.
18. Tampa Bay, Florica.
19. Pensacola, Fla.
20. Mobile, Ala.
21. New Orleans, La.
22. Galveston, Tex.
23. San Diego, Cal.
24. San Francisco, Cal.
25. Columbia River, Oregon and Washington.
26. Puget Sound, Washington.

In accordance with the report of the board above mentioned additional defenses are to be constructed at some of these points and also at the entrance to Chesapeake Bay and at Los Angeles, Cal., as funds are provided by Congress.

While the National Coast Defense Board scheme was, in general, sufficient to meet the defensive requirements of our seacoast, these requirements may be subject to change to meet changes in military conditions and in commercial and naval vessels. This scheme carried an estimate amounting to $10,836,400 for emplacement construction (not including electric light or power or land for sites). Appropriations to date, since the submission of the report of the board, aggregate $655,064.

Appropriations for construction of gun and mortar batteries have been made as follows:

Act of—	
Aug. 18, 1890	$1,221,000.00
Feb. 24, 1891	750,000.00
July 23, 1892	500,000.00
Feb. 18, 1893	50,000.00
Aug. 1, 1894	500,000.00
Mar. 2, 1895	500,000.00
June 6, 1896	2,400,000.00
Mar. 3, 1897	3,841,333.00
Allotments from the appropriation for "National defense," act of Mar. 9, 1898	3,827,842.80
May 7, 1898	3,000,000.00
July 7, 1898	$2,562,000.00
Mar. 3, 1899	1,000,000.00
May 25, 1900	2,000,000.00
Mar. 1, 1901	1,615,000.00
June 6, 1902	2,000,000.00
Mar. 5, 1903	2,236,425.00
Apr. 21, 1904	700,000.00
May 27, 1908	300,000.00
Mar. 3, 1909	5,064.00
Feb. 13, 1913	100,000.00
June 27, 1914	250,000.00
Total	29,358,664.80

Preparations are now being made for the additional work authorized by the last fortification act, and with a view to continuing this work an estimate of $585,000 is submitted.

Modernizing older emplacements.—Much remains to be done to place the older batteries in satisfactory condition for most efficient operation, including the altering of projectile hoists to meet present requirements, widening loading platforms, platform lighting, etc.

The fortification appropriation act approved June 27, 1914, authorized the application to this purpose of $100,000 from funds appropriated in the fortification appropriation acts of March 2, 1907, and

March 3, 1909, for repair and protection of the defenses of Pensacola, Fla. Work under this appropriation is in progress.

For continuing the most urgently needed work under this head an estimate of $100,000 is submitted.

Appropriations for modernizing older emplacements have been made as follows:

Act of—	
Mar. 3, 1905	$450,000.00
June 25, 1906	150,000.00
Mar. 2, 1907	100,000.00
May 27, 1908 (new application of funds appropriated for pneumatic-dynamite batteries)	165,261.36
Mar. 3, 1909	100,000.00
Feb. 13, 1913	25,000.00
June 27, 1914 (new application of funds appropriated for repair and protection of defenses of Pensacola, Fla.)	100,000.00
Total	1,090,261.36

Fire control at fortifications.—Such progress has been made during the fiscal year as funds assigned to the Engineer Department have permitted. This appropriation is distributed by the Secretary of War among the Engineer and Ordnance Departments and the Signal Corps for expenditure. No appropriation for this purpose was made in the last fortification act.

Prior to 1905 appropriations for this work, so far as performed by the Engineer Department, were made under the title "Installation of range and position finders" as follows:

Act of—	
July 7, 1898	$150,000
May 25, 1900	150,000
Mar. 1, 1901	150,000
June 6, 1902	325,000
Mar. 3, 1903	223,500
Apr. 21, 1904	225,000
Total	1,223,500

Later appropriations have been made, under the title "Fire control at fortifications," applicable to the work of the Engineer and Ordnance Departments and the Signal Corps. The amounts appropriated and the portions thereof assigned to the Engineer Department are as follows:

Act of—	Appropriated.	Assigned to Engineer Department.	Act of—	Appropriated.	Assigned to Engineer Department.
Mar. 3, 1905	$1,000,000.00	$590,000.00	June 23, 1910	$200,000.00	$123,022.89
June 25, 1906	700,000.00	217,631.37	Mar. 4, 1911	100,000.00	
Mar. 2, 1907	900,000.00	432,784.81	June 6, 1912	100,000.00	
May 27, 1908	270,256.00	129,456.00			
Mar. 3, 1909	247,055.00	211,555.00	Total	3,517,311.00	1,705,050.07

Electrical installations.—The National Coast Defense Board estimated that $5,216,031 would be required to furnish the necessary electrical equipment for the defenses of the United States in addition to the current required for searchlights.

Funds have been provided by Congress for this purpose as follows:

Act of—	
May 27, 1908	$348,888
Mar. 3, 1909	100,000
Mar. 4, 1911	50,000
Feb. 13, 1913	50,000
June 27, 1914	50,000
Total	598,888

The funds provided in the act of June 27, 1914, are being applied to the purchase and installation of a few generating sets where most needed.

For continuing the installation of this equipment at the defenses where they are considered to be most needed an estimate of $60,000 is submitted.

Searchlights.—The procurement and installation of searchlight equipment has been continued during the past fiscal year. The act of June 27, 1914, has provided $100,000 for this purpose, and this amount will all be required for expenditure during the present year.

To carry on the work of installation an estimate of $150,000 is submitted.

Appropriations for searchlights have been made as follows:

Act of—	
Mar. 1, 1901 (New York Harbor)	$150,000
June 6, 1902	150,000
Mar. 3, 1903	150,000
Apr. 21, 1904	150,000
Mar. 3, 1905	200,000
June 25, 1906	125,000
Mar. 2, 1907	210,000
May 27, 1908	210,000
Mar. 3, 1909	210,000
June 23, 1910	50,000
Mar. 4, 1911	50,000
June 6, 1912 (reappropriated from balances of other funds)	25,000
Feb. 13, 1913	100,000
June 27, 1914	100,000
Total	1,880,000

Landing facilities, Outer Brewster, Boston, Mass.—Under the present defensive project, certain elements of defense are to be installed on Outer Brewster Island, and to this end the construction of a wharf at this point is necessary. For this purpose an estimate of $50,000 is submitted.

Sites for fortifications.—The fortification act approved February 13, 1913, provided $100,000 for this purpose, it being the intention that this amount, with a balance of $50,000 from previous appropriations, would be applied to the acquisition of land at Cape Henry, Va. Condemnation proceedings were instituted for the acquisition of this land, and an award was secured amounting to approximately $31,000 more than the funds available. This amount was provided by joint resolution approved June 23, 1914, and payment of the amount of the award has been made.

Appropriations for sites for fortifications have been made as follows:

Act of—		Act of—	
Aug. 18, 1890	$500,000	Mar. 1, 1901	$200,000
Feb. 24, 1891	500,000	June 6, 1902	200,000
July 23, 1892	500,000	Mar. 3, 1903	200,000
Feb. 18, 1893	175,000	Apr. 21, 1904	100,000
Aug. 1, 1894	150,000	May 27, 1908	121,048
June 6, 1896	500,000	Mar. 3, 1909	250,000
Mar. 3, 1897	300,000	Feb. 13, 1913	100,000
May 7, 1898	300,000	June 23, 1914	31,000
Mar. 3, 1899	300,000		
May 25, 1900	200,000	Total	4,627,048

Preservation and repair of fortifications.—The modern defenses now existing represent an expenditure of approximately $29,000,000 for battery construction alone. These extensive works contain much costly machinery and ordnance material, and must be kept properly painted and repaired to be effective when needed. The sum of $165,000 was provided for this purpose in the fortification act of June 27, 1914, and this amount is only sufficient for absolutely necessary work of maintenance and for a very few smaller necessary items of repair. Much desirable and necessary work is now awaiting future appropriations.

An estimate of $200,000 for preservation and repair is submitted, and it is strongly recommended (in the interest of economy and efficient service) that this amount be appropriated.

Appropriations for preservation and repair of fortifications have been made as follows:

Act of—		Act of—	
Sept. 22, 1888	$100,000	Mar. 3, 1905	$300,000
Mar. 2, 1889	100,000	June 25, 1906	200,000
Aug. 18, 1890	80,000	Mar. 2, 1907	200,000
Feb. 24, 1891	80,000	May 27, 1908	225,000
July 23, 1892	60,000	Mar. 3, 1909	225,000
Feb. 18, 1893	45,000	June 23, 1910	300,000
Aug. 1, 1894	45,000	Mar. 4, 1911	300,000
Mar. 2, 1895	45,000	June 6, 1912 (including $125,000 reappropriated from balances of other funds)	300,000
June 6, 1896	50,000	Feb. 13, 1913	200,000
Mar. 3, 1897	100,000	June 27, 1914 (reappropriated from balance of another appropriation)	165,000
May 7, 1898	100,000		
Mar. 3, 1899	100,000		
May 25, 1900	100,000		
Mar. 1, 1901	100,000		
Feb. 14, 1902	3,000		
June 6, 1902	300,000		
Mar. 3, 1903	300,000		
Apr. 21, 1904	300,000	Total	4,423,000

Plans for fortifications and other works of defense.—Funds are required under this head for the preparation or revision of projects and plans of works for the permanent fortification of the United States and for the preparation of drawings in connection with land defenses. The preparation of drawings of the latter class is now very necessary, and an increased estimate of $10,000 is accordingly submitted. Heretofore the sum of $5,000 has been annually appropriated since 1889, but this amount is not sufficient for the work at present required by the Engineer Department.

Supplies for seacoast defense.—This appropriation is designed for the maintenance and repair of searchlights and electric light and power equipment for seacoast fortifications, and for tools, electrical, and other supplies and appliances to be used in their operation.

The act of June 27, 1914, appropriated $40,000 for this purpose. The sum of $40,000 is estimated as necessary for the procurement of the regular electrical supplies for the next fiscal year, and an estimate of this amount is submitted.

A satisfactory form of reserve electric lantern has been produced as the result of exhaustive tests. To supply these lanterns in sufficient quantities to all batteries in service an estimate of $19,500 was originally submitted. Of this amount the sum of $10,000 was appropriated in the act of March 3, 1909, and under this appropriation lights have been purchased and issued to the fortifications so far as the funds available would permit. It is proposed, with the approval of Congress, to complete the procurement of these lanterns as funds from the general appropriation for "Supplies for seacoast defenses" will permit without asking a special appropriation, and the appropriation under this head in the act of June 27, 1914, contains such authority.

Appropriations for supplies for seacoast defenses have been made as follows:

Act of—		Act of—	
May 25, 1900	$25,000	Mar. 3, 1909	$40,000
Mar. 1, 1901	25,000	June 23, 1910	45,000
June 6, 1902	25,000	Mar. 4, 1911	45,000
Mar. 3, 1903	35,000	June 6, 1912	45,000
Apr. 21, 1904	35,000	Feb. 13, 1913	40,000
Mar. 3, 1905	40,000	June 27, 1914	40,000
June 25, 1906	30,000		
Mar. 2, 1907	40,000	Total	554,500
May 27, 1908	44,500		

Sea walls and embankments.—The large number of seacoast reservations renders necessary a considerable expenditure of funds to prevent the washing away of valuable land by the ordinary action of the waves and to repair damages done by occasional violent storms.

To provide for maintenance and necessary extensions of existing sea walls and such new sea walls as may be necessary, an estimate of $35,000, in addition to the $25,000 appropriated by the act of June 27, 1914, is submitted.

Appropriations for sea walls and embankments, exclusive of those for particular localities, have been made as follows:

Act of—		Act of—	
Sept. 22, 1888	$117,000	Mar. 3, 1905	$19,400
June 6, 1896	17,975	June 25, 1906	50,000
Mar. 3, 1897	33,000	Mar. 2, 1907	25,000
May 7, 1898	55,000	May 27, 1908	50,000
Mar. 3, 1899	2,500	Mar. 3, 1909	50,000
May 25, 1900	50,000	June 6, 1912 (reappropriated from balances of other funds)	25,000
Mar. 1, 1901	100,000	June 27, 1914	25,000
June 6, 1902	100,000		
Mar. 3, 1903	89,575	Total	908,450
Apr. 21, 1904	99,000		

Repair and protection of defenses of Charleston, Pensacola, Mobile, and New Orleans.—The appropriations for these items of work have been as follows:

Act of Mar. 2, 1907:	
Sea wall, Fort Moultrie, S. C	$100,000
Repair and protection of defenses of New Orleans, La	100,000
Repair and protection of defenses of Pensacola, Fla. (for sea wall)	400,000
Repair and protection of defenses of Pensacola, Fla. (for batteries, etc.)	50,000
Repair and protection of defenses of Mobile, Ala	500,000
Act of May 27, 1908:	
Sea wall, Fort Moultrie, S. C	125,600
Repair and protection of defenses of Pensacola, Fla. (for batteries, etc.)	59,355
Repair and protection of defenses of Mobile, Ala	589,500
Act of Mar. 3, 1909, repair and protection of defenses of Pensacola, Fla. (for sea walls)	507,100

Under the provisions of the fortification appropriation acts of June 6, 1912, and June 27, 1914, balances of these appropriations have been applied to other objects of expenditure, as follows:

Sea wall, Fort Moultrie, S. C	$8,992
Repair and protection of defenses of Pensacola, Fla.:	
For batteries, etc	1,008
For sea walls	305,000
Repair and protection of defenses of Mobile, Ala	96,000
Total	411,000

Sea walls, defenses of Galveston, Tex.—The defensive works at Galveston are unavoidably in most exposed positions, and the level of the lands surrounding the batteries was greatly lowered by the storm of September 8, 1900. The Galveston defenses were rebuilt and repaired under the appropriation of $992,000 contained in the fortification act approved March 1, 1901. With the funds so provided, and in accordance with the plans before Congress when that appropriation was made, each individual battery has been made secure against any similar storms which are likely to occur in the future.

For building a sea wall and filling up the reservation at Fort Crockett to a height above storm tides the sums of $591,046.25 and $158,953.75 were appropriated in the sundry civil appropriation acts of April 28, 1904, and June 30, 1906, aggregating $750,000. The retaining wall in the rear of the reservation has been undermined by washouts, permitting portions of the fill to escape. With a view to remedying this condition it is contemplated to provide for an extension upon private land of the fill at the adopted grade of 2 per cent until it intersects the natural surface of the ground (the consent of the owners being first obtained); the estimated cost of this work is $88,000.

For a sea wall and fill at Fort Travis the sum of $440,000 was provided in the fortification appropriation act approved March 3, 1909. The work under this appropriation is approaching completion. Under the provisions of the fortification appropriation act of June 6, 1912, a balance of $65,000 pertaining to this appropriation has been applied to other objects of expenditure.

Similar protection is required at Fort San Jacinto. Certain claims to portions of this reservation adverse to the title of the United States have during recent years operated to prevent any work of improvement upon the reservation. All valid claims adverse to the title of the United States have now, in the opinion of the Department of Justice, been extinguished, and the construction of a sea wall for the protection of the reservation can now be begun whenever funds therefor may be provided.

Repair and protection of the defenses of Key West, Fla.—On October 14, and again on October 17, 1910, severe hurricanes were experienced at Key West, Fla., the wind velocities reaching 60 and 105 miles per hour, respectively. The storms occasioned considerable damage to the defensive works at Key West, demolishing a number of fire-control structures, storehouses, etc., washing away the sand cover of certain batteries, and entirely destroying the approach to the wharf being constructed for the torpedo service and for landing vessels with supplies, etc., for the general use of the garrison. The repairs of these damages were provided for so far as practicable from funds appropriated for general maintenance work, but certain items of work, including principally the restoration of the wharf, required a special appropriation. The fortification appropriation act of June 6, 1912, provided $36,000 for this purpose. Work under this appropriation was completed during the fiscal year.

Preservation and repair of torpedo structures.—A large number of new torpedo-defense structures have been constructed.

Situated as they are at exposed locations on the Atlantic, Gulf, and Pacific coasts, the requirements for the maintenance of these structures are considerable. The act of June 27, 1914, provided $20,000 for this purpose. This sum is being applied to such minor repairs and maintenance as are found from time to time to be most urgently necessary. In view of the very large number of these structures and the necessity for frequent repairing and minor repairs to prevent marked deterioration in the buildings, the sum of $20,000 has not been sufficient during the past year for all needed work, and an estimate of $30,000 is submitted this year.

Appropriations for preservation and repair of torpedo structures have been made as follows:

Act of—		Act of—	
June 25, 1906	$10,000	June 6, 1912	$20,000
Mar. 2, 1907	10,000	Feb. 13, 1913	20,000
May 27, 1908	15,000	June 27, 1914	20,000
Mar. 3, 1909	20,000		
June 23, 1910	20,000	Total	155,000
Mar. 4, 1911	20,000		

Submarine mines.—Prior to the act of June 6, 1902, all work in connection with the submarine-mine defense was under the Engineer Department. This act assigned to the Artillery the purchase of torpedo material proper, leaving to the Engineer Department the erection of casemates, galleries, storehouses, and other necessary structures.

To provide additional structures which are necessary under existing projects, an estimate of $31,000 is submitted.

Appropriations for work under the Engineer Department, beginning with the act of June 6, 1902, have been as follows:

Act of—		Act of—	
June 6, 1902	$33,000	May 27, 1908	$175,000
Mar. 3, 1903	50,000	Mar. 3, 1909	100,000
Apr. 21, 1904	87,000	Mar. 4, 1911	50,000
Mar. 3, 1905	400,000		
June 25, 1906	175,000	Total	1,245,000
Mar. 2, 1907	175,000		

The following money statements show the condition on June 30, 1914, of all general appropriations under which operations were in progress in the United States at the close of the fiscal year:

GUN AND MORTAR BATTERIES.

For battery construction:	
July 1, 1913, balance unallotted	$107,660.47
June 27, 1914, appropriated	250,000.00
	357,660.47
June 30, 1914, net allotments during fiscal year	32,075.00
July 1, 1914, balance unallotted	325,585.47
July 1, 1914, amount pledged	325,000.00
July 1, 1914, amount available for miscellaneous work	585.47
For modernizing older emplacements:	
July 1, 1913, balance unallotted	$21,500.00
June 27, 1914, appropriated	100,000 00
	121,500.00
June 30, 1914, net allotments during fiscal year	7,473.13
July 1, 1914, balance unallotted	114,026.87
July 1, 1914, amount pledged	113,000.00
July 1, 1914, balance available	1,026.87

FIRE CONTROL AT FORTIFICATIONS.

July 1, 1913, balance unallotted	$3,120.20
June 30, 1914, net assignments to the Chief of Engineers during fiscal year	20,850.00
	23,970.20
June 30, 1914, net allotments during fiscal year	13,870.77
July 1, 1914, balance unallotted	10,099.43
July 1, 1914, amount pledged	2,000.00
July 1, 1914, balance available	8,099.43

ELECTRICAL INSTALLATIONS AT SEACOAST FORTIFICATIONS.

July 1, 1913, balance unallotted	$46,869.39
June 27, 1914, appropriated	50,000.00
	96,869.39
June 30, 1914, net allotments during fiscal year	38,322.76
July 1, 1914, balance unallotted	58,546.63
July 1, 1914, amount pledged	58,546.63

SEARCHLIGHTS FOR HARBOR DEFENSES.

July 1, 1913, balance unallotted	$146,542.79
June 27, 1914, appropriated	100,000.00
	246,542.79
June 30, 1914, net allotments during fiscal year	121,274.25
July 1, 1914, balance unallotted	125,268.54
July 1, 1914, amount pledged	125,268.54

SITES FOR FORTIFICATIONS AND SEACOAST DEFENSES.

July 1, 1913, balance unallotted	$168,197.64
June 23, 1914, appropriated	31,000.00
	199,197.64
June 30, 1914, net allotments during fiscal year	148,460.00
July 1, 1914, balance unallotted	50,737.64
July 1, 1914, amount pledged	31,000.00
July 1, 1914, balance available	19,737.64

PRESERVATION AND REPAIR OF FORTIFICATIONS.

July 1, 1913, balance unallotted	$34,123.75
June 27, 1914, appropriated	165,000.00
	199,123.75
June 30, 1914, net allotments during fiscal year	34,495.59
July 1, 1914, balance unallotted	164,628.16
July 1, 1914, amount pledged	161,385.89
July 1, 1914, balance available	3,242.27

PLANS FOR FORTIFICATIONS.

June 27, 1914, appropriated	$5,000.00
July 1, 1914, amount pledged	5,000.00

SUPPLIES FOR SEACOAST DEFENSES.

July 1, 1913, balance unallotted	$52,966.59
June 27, 1914, appropriated	40,000.00
	92,966.59
June 30, 1914, net allotments during fiscal year	49,927.99
July 1, 1914, balance unallotted	43,038.60
July 1, 1914, amount pledged	29,912.25
July 1, 1914, balance available	13,126.35

SEA WALLS AND EMBANKMENTS.

July 1, 1913, balance unallotted	$1,847.76
June 27, 1914, appropriated	25,000.00
	26,847.76
June 30, 1914, net allotments during fiscal year	1,419.35
July 1, 1914, balance unallotted	25,428.41
July 1, 1914, amount pledged	15,550.00
July 1, 1914, balance available	9,878.41

PRESERVATION AND REPAIR OF TORPEDO STRUCTURES.

July 1, 1913, balance unallotted	$666.96
June 27, 1914, appropriated	20,000.00
	20,666.96
June 30, 1914, net allotments during fiscal year	221.29
July 1, 1914, balance unallotted	20,445.67
July 1, 1914, amount pledged	20,445.67

CASEMATES, GALLERIES, ETC., FOR SUBMARINE MINES.

July 1, 1913, balance unallotted	$5,734.68
June 30, 1914, net allotments during fiscal year	1,571.90
July 1, 1914, balance unallotted and available	4,162.78

ESTIMATES OF APPROPRIATIONS REQUIRED FOR 1915–16 FOR FORTIFICATIONS IN THE UNITED STATES.

Gun and mortar batteries:	
Construction of gun and mortar batteries	$585,000
Modernizing older emplacements	100,000
Electrical installations at seacoast fortifications	60,000
Searchlights for harbor defenses	150,000
Landing facilities, Outer Brewster, Boston, Mass	50,000
Preservation and repair of fortifications	200,000
Plans for fortifications	10,000
Supplies for seacoast defenses	40,000
Sea walls and embankments	35,000
Preservation and repair of torpedo structures	30,000
Casemates, galleries, etc., for submarine mines	31,000
	1,291,000

FORTIFICATIONS IN INSULAR POSSESSIONS.

Batteries.—The first appropriation for this purpose was contained in the fortification act approved April 21, 1904, and additional appropriations have been made in each of the succeeding years, the aggregate amount appropriated to date being $9,210,200 (including $250,000, the expenditure of which was assigned to the Chief of Ordnance). With these appropriations batteries have been constructed at Guantanamo Bay, Cuba, and Subic Bay, P. I., and construction work is still in progress at Honolulu and Pearl Harbor, Hawaii, and Manila Bay, P. I.

Appropriations for this work have been made as follows:

Act of—	Generally applicable.	Hawaiian Islands.	Philippine Islands.	Act of—	Generally applicable.	Hawaiian Islands.	Philippine Islands.
Apr. 21, 1904	$700,000	.....	.....	Mar. 4, 1911	.....	$150,000	$1,169,000
Mar. 3, 1905	700,000	.....	.....	June 6, 1912	.....	170,000	800,000
June 25, 1906	.....	$260,000	.....	Feb. 13, 1913	.....	70,000	700,000
Mar. 2, 1907	.....	200,000	$500,000	June 27, 1914	.....	.....	300,000
May 27, 1908	.....	400,000	954,000				
Mar. 3, 1909	.....	337,200	[1] 1,000,000	Total	$1,400,000	1,587,200	[1] 6,223,000
June 23, 1910	.....	.....	800,000				

[1] Including $250,000 the expenditure of which was assigned to the Chief of Ordnance.

Electrical installations.—The National Coast Defense Board estimated that $788,713 would be required to furnish the necessary electrical equipment for the defenses of the insular possessions, in addition to the current required for searchlights.

Toward the installation of this equipment the sum of $489,723 has thus far been provided by Congress, $68,938 for the Hawaiian Islands and $420,785 for the Philippine Islands. With the funds available electrical equipment is now being procured and installed. Operations under existing appropriations are in progress, and no additional funds will be required during the next fiscal year.

Appropriations for this work have been made as follows:

Act of—	Hawaiian Islands.	Philippine Islands.
May 27, 1908	$20,000	$115,000
Mar. 3, 1909	14,469	88,823
June 23, 1910	.....	45,000
Mar. 4, 1911	.....	171,962
Feb. 13, 1913	34,469	.....
Total	68,938	420,785

Searchlights.—Work under appropriations heretofore made for this purpose is in progress, and no additional estimate for this purpose is submitted.

Appropriations for this work have been made as follows:

Act of—	Generally applicable.	Hawaiian Islands.	Philippine Islands.
Mar. 2, 1907	$30,000	.....	.....
May 27, 1908	.....	$47,500	$180,000
Mar. 3, 1909	.....	66,000	.....
June 23, 1910	.....	.....	139,000
Mar. 4, 1911	.....	40,100	.....
Feb. 13, 1913	.....	10,800	20,600
Total	30,000	164,400	339,600

Procurement of sites.—All land at present required in the Philippine Islands has been acquired.

The acquisition of additional land in the Hawaiian Islands with the unexpended balance of the funds provided therefor in the fortification appropriation act of June 25, 1906, is in progress.

Appropriations for this work have been as follows:

Act of—	Hawaiian Islands.	Philippine Islands.
Apr. 21, 1904	$200,000	.....
June 25, 1906	150,000	.....
May 27, 1908	.....	$5,000
Mar. 3, 1909	.....	12,000
Total	350,000	17,000

Maintenance of fortifications.—A number of the batteries for the defense of the insular possessions have been completed and are being operated by the troops. Repairs, painting, etc., are from time to time necessary, and for the necessary maintenance and repair work estimates are submitted of $3,000 each for the Hawaiian Islands and Philippine Islands. The funds appropriated for this purpose will be applied, so far as available, to the most necessary work required during the fiscal year.

Appropriations for this work have been made as follows:

Act of—	Hawaiian Islands.	Philippine Islands.
June 23, 1910		$7,000
Mar. 4, 1911		7,000
June 6, 1912	$500	8,000
Feb. 13, 1913	500	8,000
June 27, 1914	1,000	
Total	2,000	30,000

Maintenance of torpedo structures.—In order to provide for the maintenance in proper condition of the numerous structures already erected in connection with torpedo defense, estimates of $1,000 each have been submitted for the Hawaiian Islands and the Philippine Islands. For these purposes appropriations of $2,000 and $1,000, respectively, were made by the last fortification act.

Appropriations for this work have been made as follows:

Act of—	Hawaiian Islands.	Philippine Islands.
June 23, 1910		$1,000
Mar. 1, 1911		1,000
June 6, 1912		500
Feb. 13, 1913	$500	750
June 27, 1914	2,000	1,000
Total	2,500	4,250

Land defenses.—For the construction of works of defense against landing parties in the Philippine Islands the sum of $180,000 was appropriated by the fortification appropriation act approved March 4, 1911. Work under this appropriation is approaching completion.

For similar work in the Hawaiian Islands the sum of $457,000 was appropriated by the act of June 27, 1914. This amount is being applied to the work as rapidly as practicable, and to permit the continuation of this work without interruption, an estimate of $150,000 additional is submitted.

Reserve equipment.—For the procurement of an adequate reserve of spare parts, etc., for the fortifications and their appliances in the insular possessions, the sums of $50,000 and $100,000, respectively, for the Hawaiian and Philippine Islands were appropriated by the act of June 27, 1914. These amounts are being applied to the purpose for which appropriated.

Electrical and other supplies.—Under appropriations heretofore made by Congress a number of electric plants and searchlights have been installed in the defensive works in the Hawaiian and Philippine Islands, and in order that the necessary supplies and materials may be furnished for their operation and maintenance, as for similar equipment in this country, estimates of $2,000 and $3,000, respectively, have been submitted this year. For work of this character in the Hawaiian and Philippine Islands $1,000 and $3,000, respectively, were provided by the act of June 27, 1914, with which the supplies most urgently required will be procured.

Appropriations for this work have been made as follows:

Act of—	Hawaiian Islands.	Philippine Islands.
June 23, 1910		$2,500
Mar. 4, 1911	$1,000	2,500
June 6, 1912	750	2,500
Feb. 13, 1913	750	3,000
June 27, 1914	1,000	3,000
Total	3,500	13,500

Sea walls.—For the protection of the shore of one of the defensive sites in the Hawaiian Islands a sea wall is required, and an estimate of $21,000 is submitted for this purpose.

Torpedo structures.—For the construction of additional defenses of this character required in the Philippine Islands the sum of $50,000 was appropriated in the act of February 13, 1913. For the completion of the work in hand an additional estimate of $17,000 is submitted. This is the unappropriated balance of the original estimate.

Appropriations for this work have been made as follows:

Act of—	Generally applicable.	Philippine Islands.	Hawaiian Islands.
June 8, 1898 (for Manila Harbor)		$150,000	
Mar. 2, 1907	$200,000		
May 27, 1908			$129,000
Feb. 13, 1913		50,000	
Total	200,000	200,000	129,000

Fire control.—No funds for this purpose were provided by the last fortifications act.

Appropriations for this work and assignments therefrom to the Engineer Department have been made as follows:

Act of—	Appropriated.	Assigned to Engineer Department.
Mar. 2, 1907	$100,000.00	
May 27, 1908	243,000.00	
Mar. 3, 1909	250,000.00	$431,769.26
June 23, 1910	200,000.00	
Total	793,000.00	

The following money statements show the conditions on June 30, 1914, of all general appropriations under which operations were in progress in the insular possessions at the close of the fiscal year:

FORTIFICATIONS IN INSULAR POSSESSIONS.

For construction of seacoast batteries:	
July 1, 1913, balance unallotted	$1,121,820.99
June 27, 1914, appropriated	300,000.00
	1,421,820.99
June 30, 1914, net allotments during fiscal year	792,888.65

For construction of seacoast batteries—Continued.	
July 1, 1914, balance unallotted	$628,932.34
July 1, 1914, amount pledged	600,000.00
July 1, 1914, balance available	28,932.34
For electrical installations:	
July 1, 1913, balance unallotted	152,528.68
June 30, 1914, net allotments during fiscal year	49,788.05
July 1, 1914, balance unallotted	102,740.63
July 1, 1914, amount pledged	102,740.63
For searchlights:	
July 1, 1913, balance unallotted	95,824.90
June 30, 1914, net allotments during fiscal year	40,584.84
July 1, 1914, balance unallotted	55,240.06
July 1, 1914, amount pledged	55,240.06
For torpedo structures:	
July 1, 1913, balance unallotted	50,939.13
June 30, 1914, net allotments during fiscal year	50,241.68
July 1, 1914, balance unallotted and available	697.45
For sites, Philippine Islands:	
July 1, 1913, balance unallotted	2,950.00
July 1, 1914, balance unallotted and available	2,950.00
For electrical and other supplies:	
July 1, 1913, balance unallotted	3,551.46
June 27, 1914, appropriated	4,000.00
	7,551.46
June 30, 1914, net allotments during fiscal year	3,036.51
July 1, 1914, balance unallotted	4,514.95
July 1, 1914, amount pledged	4,514.95
For maintenance of fortifications:	
July 1, 1913, balance unallotted	9,745.95
June 27, 1914, appropriated	1,000.00
	10,745.95
June 30, 1914, net allotments during fiscal year	256.95
July 1, 1914, balance unallotted	10,489.00
July 1, 1914, amount pledged	7,489.00
July 1, 1914, balance available	3,000.00
For maintenance of torpedo structures:	
July 1, 1913, balance unallotted	911.50
June 27, 1914, appropriated	3,000.00
	3,911.50
June 30, 1914, net allotments during fiscal year	250.00
July 1, 1914, balance unallotted	3,661.50
July 1, 1914, amount pledged	3,500.00
July 1, 1914, balance available	161.50
For reserve equipment:	
June 27, 1914, appropriated	150,000.00
July 1, 1914, amount pledged	150,000.00

For land defenses, Hawaiian Islands:	
June 27, 1914, appropriated	$457,000.00
July 1, 1914, amount pledged	457,000.00
For land defenses, Philippine Islands:	
July 1, 1913, balance unallotted	52,049.71
June 30, 1914, net allotments during fiscal year	50,880.00
July 1, 1914, balance unallotted	1,169.71
July 1, 1914, amount pledged	1,169.71

FIRE CONTROL IN INSULAR POSSESSIONS.

July 1, 1913, balance unallotted	$7.50
June 30, 1914, net assignments to Engineer Department	12,582.00
	12,589.50
June 30, 1914, net allotments during fiscal year	12,582.00
July 1, 1914, balance unallotted and available	7.50

ESTIMATES OF APPROPRIATIONS REQUIRED FOR 1915–16 FOR FORTIFICATIONS IN THE INSULAR POSSESSIONS.

Fortifications in insular possessions:	
For maintenance of fortifications—	
Hawaiian Islands	$3,000
Philippine Islands	3,000
For maintenance of torpedo structures—	
Hawaiian Islands	1,000
Philippine Islands	1,000
For land defenses, Hawaiian Islands	150,000
For electrical and other supplies—	
Hawaiian Islands	2,000
Philippine Islands	3,000
For sea walls and embankments, Hawaiian Islands	21,000
For torpedo structures, Philippine Islands	17,000
Total	201,000

FORTIFICATIONS, PANAMA CANAL.

The construction of the fortifications for the Panama Canal is under the governor of the Panama Canal, but plans for the various defensive works are prepared by the Chief of Engineers.

It is anticipated that a large portion of these defensive works will be completed by June 30, 1915, and provision should be made for funds for their maintenance and for supplies for their operation during the fiscal year 1916. It is estimated that funds under the following heads should be appropriated for this purpose:

Maintenance of fortifications, including torpedo structures	$25,000
Electrical and other supplies	10,000
Reserve equipment	60,000

MILITARY STRUCTURES, PHILIPPINE ISLANDS.

The construction of a pumping plant, electric-power plant, and certain Army storehouses for military purposes in the Philippine Islands has been assigned to the Engineer Department and funds from various appropriations applied thereto. These funds being insufficient for the completion of the work, an appropriation of $154,000 for such completion has been made by the sundry civil

appropriation act of August 1, 1914. With this amount the completion of the structures will now be proceeded with.

The following funds, in addition to those elsewhere accounted for in this report, have been or are being applied to this work:

Electric-power plant, Corregidor Island, P. I. (sundry civil act of Mar. 4, 1911)	$154,667.00
Water and sewers at military posts, 1912 (Army act of Mar. 3, 1911)	15,500.00
Seacoast defenses, Philippine Islands and Hawaii (sundry civil acts)	16,155.55
Army storehouses, Corregidor Island, P. I. (Army act of Mar. 3, 1909)	132,443.66
Military structures, Philippine Islands (sundry civil act of Aug. 1, 1914)	154,000.00
Total	472,766.21

ENGINEER DEPOTS.

WASHINGTON BARRACKS.

This depot is the repository for part of the military bridge equipage of the Army; for miscellaneous military engineering tools, apparatus, supplies, and materials of all kinds required by the mobile army; for repair parts of the electrical and mechanical equipment of seacoast fortifications; and for astronomical, surveying, drafting, and reconnoissance instruments and supplies used by the Army and by officers of the Corps of Engineers on public works, both military and civil. It purchases and issues military engineering tools and supplies and serves particularly as an exchange for engineering instruments of all kinds, receiving them from the Army or public works, caring for them while in store, making the necessary repairs, reissuing them when required, and so far as appropriations will permit, making purchases of such items as can not be supplied from store. It also engages in the fabrication in the depot shops of special items of military equipment for Engineer troops, such as tool wagons, packs for mounted transportation, boats for bridge equipage, etc.

The shipments during the year have considerably exceeded those of previous years. A large number of instruments have been repaired in the instrument-repair shop. All new instruments were examined and tested there.

A new building for depot shops and trade school is urgently needed, the estimated cost being $22,000, or $8,000 for procurement of materials only, if the work be done by enlisted labor. The latter amount is included in the estimates for buildings for the Engineer post and school at Washington Barracks.

With the $15,000 appropriated in the Army act of March 2, 1913, for "Ponton shed, Washington Barracks, D. C." the construction of ponton shed No. 3 has been accomplished.

FORT LEAVENWORTH.

This depot is the repository for part of the military bridge equipage of the Army, as well as tools, stores, and miscellaneous supplies. The general work of the office and storehouse comprised the care of

property on hand, the purchase of supplies, receiving and issuing Engineer supplies, and the keeping of the depot accounts and records.

Electric lights were placed in the storehouse by the quartermaster, and materials for light for the shops are on hand.

VERA CRUZ.

In accordance with verbal instructions from the Chief of Engineers of May 8, 1914, an Engineer depot was established at Vera Cruz, Mexico, on May 19, 1914. An office was opened at No. 27 Terminal Hotel, and a clerk employed for the depot work. The Mexican Federal Building, known as the Prision Militar, was selected for the depot storehouse. It has not been occupied as depot stores have not been supplied, and the building is now being used as a barracks for troops.

The operations of the depot for the fiscal year were limited to the purchase and issue of a small amount of material to Company E, Second Battalion of Engineers, for its equipment and instruction.

VANCOUVER BARRACKS.

This depot is the repository for part of the military bridge equipage of the Army, as well as tools, stores, and miscellaneous supplies. Work during the year has included the fabrication and repair of ponton equipage and the purchase and issue of materials, tools, and supplies to Engineer troops.

HONOLULU.

This depot assembles and issues property and materials for the military operations in the Hawaiian Islands, cares for property in store, makes such minor repairs to instruments as can be made locally and obtains and issues such Engineer supplies as are required by the Infantry, Cavalry, and Artillery troops stationed in the vicinity of Honolulu. Operations during the year have been confined to these activities.

A suitable building for storage purposes is urgently needed.

MANILA.

This depot is the repository of two divisions of the advance guard ponton equipage and for miscellaneous tools, property, and supplies required for issue and for reserve equipment in the Philippine Department.

The personnel at the depot was, on June 30, 1914, made up as follows:

Civilians: One storekeeper, American; one clerk, native; two machinists, native; one carpenter, native; one blacksmith, native; one blacksmith helper, native; two laborers, native.

Enlisted (all from Third Battalion of Engineers): One battalion quartermaster sergeant, one sergeant, and six privates.

These men perform all necessary office work, make and handle shipments, prevent as far as possible destruction due to rust, dry rot, white ants, and dampness, and make repairs.

ENGINEER DEPOTS, 1914.

Incidentals:	
Amount appropriated in the Army appropriation act of Mar. 2, 1913	$20,000.00
June 30, 1914, amount expended during fiscal year	17,795.76
July 1, 1914, balance unexpended	2,204.24
July 1, 1914, outstanding liabilities	2,143.44
Balance to revert to Treasury	60.80
Instruments:	
Amount appropriated in the Army appropriation act of Mar. 2, 1913	10,000.00
June 30, 1914, amount expended during fiscal year	9,587.09
July 1, 1914, balance unexpended	412.91
July 1, 1914, outstanding liabilities	412.43
Balance to revert to Treasury	.48
Estimate submitted for 1915–16	25,000.00

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RIVER AND HARBOR IMPROVEMENTS.

Appropriations.—The funds with which the works for the improvement of rivers and harbors were prosecuted during the past fiscal year were derived from the appropriations made by the river and harbor acts approved July 25, 1912, and March 4, 1913, and the sundry civil acts approved August 24, 1912, and June 23, 1913, from such appropriations as have been provided by other general acts and by special acts of Congress, and from the available balances of former appropriations.

The following works are provided for by permanent appropriations: Removing sunken vessels; operating and care of dredge boats on upper Mississippi River; removing obstructions in Mississippi River; gauging waters of the Mississippi River and its tributaries; examinations and surveys at South Pass, Mississippi River; maintenance of South Pass Channel, Mississippi River; operating snag boats on Ohio River; operating and care of canals, etc.; support and maintenance of the Permanent International Association of the Congresses of Navigation.

Total appropriations for rivers and harbors to June 30, 1914	[1] $791,843,740.19
Amount appropriated by sundry civil act approved Aug. 1, 1914	6,988,500.00
Amount appropriated by river and harbor act approved Oct. 2, 1914	20,000,000.00
Claims for damages, river and harbor works, deficiency act approved Apr. 6, 1914	251.65
Improving Upper White River, appropriated by deficiency act approved Apr. 6, 1914	5.83
Permanent annual appropriations for fiscal year 1915 (including $3,000 for the Permanent International Association of the Congresses of Navigation)	297,600.00
	819,130,097.67

[1] Including permanent annual appropriations and related works.

Expended under indefinite appropriations, fiscal year, 1914:		
Operating and care of canals, etc	$2,162,235.38	
Removing sunken vessels, etc	108,872.42	
		$2,271,107.80
Related works:		
Expenses of California Débris Commission (sundry civil act of Aug. 1, 1914)	15,000.00	
Prevention of deposits, New York Harbor (sundry civil act of Aug. 1, 1914)	94,260.00	
		109,260.00
		821,510,465.47

NOTE.—The river and harbor act of March 3, 1909, appropriated the sum of $9,435,750, which included the sum of $50,000 for the National Waterways Commission, which latter item was first credited to the War Department and later transferred to the Treasury Department.

Status of works.—Statements derived from the reports of the officers in charge of the various works, and given herewith, set forth the condition of each improvement and the extent of the work performed during the past fiscal year.

Expenditures.—The total amount actually expended under the direction of the Chief of Engineers in connection with the improvement of rivers and harbors during the fiscal year ending June 30, 1914, is as follows:

Rivers and harbors (miscellaneous)		$39,735,555.87
Examinations, surveys and contingencies of rivers and harbors		367,776.47
Emergencies in river and harbor works		61,315.38
Preservation and maintenance of river and harbor works		79,456.73
Removing sunken vessels		108,872.42
Operating and care of canals		2,162,235.38
Operating snag and dredge boats on upper Mississippi, Illinois, and Minnesota Rivers		24,475.17
Removing obstructions in Mississippi, Atchafalaya, and Old Rivers		99,856.30
Gauging waters of the Mississippi River and its tributaries		8,586.83
Maintenance of South Pass Channel, Mississippi River		96,077.24
Examinations and surveys at South Pass, Mississippi River		9,375.00
Operating snag boats on the Ohio River		36,873.41
Permanent International Association of Congresses of Navigation		3,018.99
Meeting of Permanent International Association of Navigation Congresses in United States		1,314.40
Prevention of deposits in New York Harbor		90,263.32
California Débris Commission (expenses)		14,265.71
Claims for damages by collision, river and harbor works		226.65
International Waterways Commission		14,901.87
Building, Engineer School for River and Harbor Instruction		95,637.59
		43,010,084.73
Mississippi River Commission:		
Improving Mississippi River	$6,268,982.29	
Deduct amounts reimbursable	11,600.18	
	6,257,382.11	
Rebuilding levees of Mississippi River and tributaries damaged by floods	49,428.20	
Improving Yazoo River and tributaries (Yazoo River at mouth)	3,530.51	
* Examinations, surveys, and contingencies of rivers and harbors	2,000.00	

Mississippi River Commission—Continued.		
* Claims for damages by collision, river and harbor works	$85.74	
* Gauging waters of the Mississippi River and its tributaries	8,406.33	
	6,320,832.89	
* Deduct amounts included in items above	10,492.07	
		$6,310,340.82
Grand total of Government funds		[1] 49,320,425.55

Expenditures have also been made from funds contributed by States, municipalities, and private parties for improvements as follows:

Elk and Little Elk Rivers, Md	$1,643.76
Plymouth Harbor, Mass	4,645.88
Olcott Harbor, N. Y	750.00
Black Rock Harbor, N. Y. Ferry Street Bridge (including $4.987 not reported in 1913)	26,060.50
Levees, Mound City, Ill	19,437.08
Sabine-Neches Canal, Tex	211,666.37
Houston Ship Channel, Tex	563,289.61
Charlotte Harbor, Fla	1,554.94
Missouri River at Folsom, Iowa	1,712.27
Missouri River at Council Bluffs, Iowa	26,815.59
Big Sioux River, Iowa and S. Dak	200.00
Missouri River above Florence, Nebr	4,119.96
St. Josephs Bay, Fla. (including $5.295.56 not reported in 1913)	19,798.67
Siuslaw River, Oreg	60,977.92
Oregon Slough, Oreg	10,685.99
Tillamook Bay and Bar, Oreg	1,590.61
Yaquina River, Oreg	2,900.34
Mouth of Columbia River, Oreg. and Wash	254,597.95
Sacramento and Feather Rivers, Cal	222,071.03
Savannah River at Augusta, Ga	22,857.57
Cold Spring Inlet, N. J	9,640.39
Wilmington Harbor, Del	7,221.41
	1,474,237.84
Under Mississippi River Commission:	
Mississippi River near Memphis, Tenn	1,066.61
Mississippi River at—	
Star Landing Bend, Miss	35,009.30
Trotters Point, Miss	100,000.00
Torras, La	2,453.74
Avondale, La	32,467.28
	170,996.93
Grand total of contributed funds	1,645,234.77

Estimates.—The estimates submitted for the next fiscal year are intended to cover only the minimum requirements for the prosecution and maintenance of the various improvements, such estimates having been made up from estimates prepared on the same basis by the various district officers, and on the supposition that river and harbor work will be provided for by annual appropriations.

Engineer divisions.—The engineering works in charge of this office are arranged in divisions, and officers of the Corps of Engi-

[1] This amount does not include expenditures for enlargement of Governors Island, New York Harbor, $164.75.

neers were assigned as division engineers to overlook these works, as follows:

East of the Rocky Mountains: Northeast division, Col. Frederic V. Abbot; eastern division, Col. W. M. Black; southeast division, Col. Dan C. Kingman to October 11, 1913, Lieut. Col. W. C. Langfitt, from December 27, 1913, to June 16, 1914, and Col. John Biddle since that date; Gulf division, Col. Lansing H. Beach; western division, Col. C. McD. Townsend; central division, Lieut. Col. H. C. Newcomer; Lakes division, Col. J. G. Warren. West of the Rocky Mountains: Pacific division, Lieut. Col. Thomas H. Rees; northern Pacific division, Lieut. Col. Thomas H. Rees to March 12, 1914, and Lieut. Col. C. H. McKinstry since that date.

THE BOARD OF ENGINEERS FOR RIVERS AND HARBORS.

Section 3 of the river and harbor act of June 13, 1902, provided for the organization in the office of the Chief of Engineers, by detail from time to time from the Corps of Engineers, of a board of five engineer officers (later increased to seven) whose duties shall be fixed by the Chief of Engineers, and to whom shall be referred for consideration and recommendation, in addition to any other duties assigned, so far as in the opinion of the Chief of Engineers may be necessary, all reports upon examinations and surveys provided for by Congress, and all projects or changes in projects for works of river and harbor improvements theretofore or thereafter provided for. And in the consideration of such works and projects the board shall have in view the amount and character of commerce existing or reasonably prospective which will be benefited by the improvement, and the relation of the ultimate cost of such work, both as to cost of construction and maintenance, to the public commercial interests involved, and the public necessity for the work and propriety of its construction, continuance, or maintenance at the expense of the United States. It is further the duty of the board, upon request to the Chief of Engineers by the Committee on Commerce of the Senate or the Committee on Rivers and Harbors of the House of Representatives, in the same manner to examine and report through the Chief of Engineers upon any projects heretofore adopted by the Government or upon which appropriations have been made and to report upon the desirability of continuing the same or upon any modifications thereof which may be deemed desirable. This provision of the law was extended by act of March 3, 1905, to require the board upon request of the committees of Congress specified above, to examine and review surveys as well as projects provided for by acts or resolutions prior to the river and harbor act of June 13, 1902, and it was further modified by the act of March 2, 1907, to include consideration of any examination or survey made pursuant to any act or resolution of Congress.

Section 13 of the act of March 3, 1909, increased the scope of preliminary examinations and surveys by providing that every report therein ordered shall contain such data as it may be practicable to secure regarding (first) the establishment of terminal and transfer facilities (second), the development and utilization of water power for industrial and commercial purposes, and (third) such other subjects as may be properly connected with such project. It further provided that the investigation and study of these questions may,

upon review by the board, "when called for as now provided by law, be extended to any work of improvement now under way and to any locality the examination and survey of which has heretofore been, or may hereafter be, authorized by Congress." Section 6 of the same act requires the board to pass upon all modifications in plan and location involved in the reconstruction of any lock, canal, canalized river, or other work for the use and benefit of navigation, for which expenditures are authorized by that section.

The provisions relating to terminal and transfer facilities, water power, etc., were renewed in the act of June 25, 1910, and extended to apply to all examination and survey reports hereafter provided for. The required investigation of these questions was considerably amplified by the act of July 25, 1912. The same act provided that the board shall consist of seven members, a majority of whom shall be of rank not less than lieutenant colonel.

During the past fiscal year the board was composed of the following officers of the Corps of Engineers: Col. William M. Black; Col. Frederic V. Abbot; Col. Lansing H. Beach; Col. William C. Langfitt, to March 12, 1914; Lieut. Col. Harry Taylor; Lieut. Col. Henry C. Newcomer; Lieut. Col. E. Eveleth Winslow, from July 24, 1913; Maj. Charles W. Kutz, from March 12, 1914; Maj. William J. Barden, to July 24, 1913.

Under the provisions of the acts of March 3, 1909, June 25, 1910, February 27, 1911, July 25, 1912, and March 4, 1913, all reports submitted in compliance with those acts during the year have been referred to the board for consideration and recommendation. In addition a number of subjects have been presented to it for report in accordance with resolutions of the Committee on Rivers and Harbors of the House of Representatives and the Committee on Commerce of the Senate. The reports rendered by the board from time to time in response to legislative action have been duly presented to Congress. During the year the board also gave consideration to a number of other matters referred to it by the Chief of Engineers, United States Army, for its views and recommendations.

The work accomplished by the board during the year and the status of its operations from its organization up to the close of the fiscal year are shown by the following table:

Authority for investigation.	Number of investigations ordered.	Total number completed at close of preceding fiscal year.	Number completed during year ending June 30, 1914.	Number remaining to be completed.
Act of—				
June 13, 1902	170	170		
Mar. 3, 1905	176	176		
June 28, 1906	1	1		
Mar. 2, 1907	200	200		
May 28, 1908	1	1		
Mar. 3, 1909	274	270	4	
June 25, 1910	187	179	5	3
Feb. 27, 1911	90	80	5	5
July 25, 1912	226	120	72	34
Mar. 4, 1913	122	4	72	46
Resolutions of congressional committees	130	109	14	7
Concurrent resolutions of Congress	1	1		
Miscellaneous cases referred by the Chief of Engineers, United States Army	51	46	5	
Total	1,629	1,357	177	95

Number of hearings given at the office of the board during the year	53
Number of public hearings held elsewhere and inspections made during the year	6
Expenses of the board during the year	$17,062.35
Estimated cost of projects recommended by the board from its organization up to June 30, 1914	$346,247,381.76
Estimated cost of projects adopted by Congress	$259,479,588.73

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WATERWAY FROM LOCKPORT, ILL., BY WAY OF THE DES PLAINES AND ILLINOIS RIVERS, TO THE MOUTH OF THE ILLINOIS RIVER, ETC.

Under the provisions of section 1 of the river and harbor act of June 25, 1910, a board, consisting of Brig. Gen. William H. Bixby, Chief of Engineers United States Army; Col. C. McD. Townsend, Corps of Engineers; Maj. Charles Keller, Corps of Engineers; Maj. J. B. Cavanaugh, Corps of Engineers; and Mr. John Bogart, civil engineer, was appointed by the Secretary of War to consider and report upon the construction of a waterway from Lockport, Ill., by way of the Des Plaines and Illinois Rivers, to the mouth of the said Illinois River; the said board to report upon the feasibility of such waterway and the most advisable depth and dimensions therefor, in case the same is recommended; also upon such measures as may be required to properly preserve the levels of the Great Lakes, and to compensate, as far as practicable, for the diminished levels in said lakes and the connecting waters thereof by reason of any diversion of water from Lake Michigan, etc. The said act made an appropriation of $1,000,000, subject to the provision that "until these plans and estimates have been submitted and a project for the improvement adopted by Congress the appropriation of one million dollars herein made shall not be available for expenditure."

Reports dated November 1, 1910, and January 23, 1911, on the proposed waterway and certain related subjects called for by the said act were transmitted to Congress and printed in House Documents Nos. 1061 and 1374, Sixty-first Congress, third session, respectively.

Final report on the above and all related subjects was submitted on August 15, 1913, transmitted to Congress, and printed in House Document No. 762, Sixty-third Congress, second session, which also includes a reprint of the partial reports of November 1, 1910, and January 23, 1911. A project is presented by the special board which involves an original outlay by the United States of $1,050,000 for the Illinois River and $3,710,000 for the Mississippi River, or a total of $4,760,000 for a navigable channel 8 feet deep from Utica to St. Louis.

SURVEY FOR INTRACOASTAL WATERWAY FROM BOSTON, MASS., TO THE RIO GRANDE.

The river and harbor act of March 3, 1909, directed certain surveys to be made with a view to the construction of a continuous waterway, inland where practicable, from Boston, Mass., to the Rio Grande, which were assigned to boards of engineers. Reports on all sections of the waterway have now been completed and trans-

mitted to Congress, four of them prior to the last fiscal year and one during the year. Those formerly submitted are as follows:

Boston, Mass., to Beaufort Inlet, N. C., section.—House Document No. 391, Sixty-second Congress, second session.

New York Bay to Chesapeake Bay section, final report.—House Document No. 196, Sixty-third Congress, first session.

Beaufort Inlet, N. C., to Key West, Fla., section.—House Document No. 229, Sixty-third Congress, first session.

Across Florida section.—House Document No. 233, Sixty-third Congress, first session.

Report dated February 1, 1910, with map, by the special board of engineer officers upon the survey of that section of the proposed waterway from *St. Georges Sound, Fla., to the Rio Grande*, were duly submitted and, pursuant to law, were reviewed by the Board of Engineers for Rivers and Harbors, whose report thereon was submitted April 2, 1912. These reports were transmitted to Congress and printed in House Document No. 610, Sixty-third Congress, second session. The improvement by the United States of this section is deemed advisable so far as to give a 5-foot depth from Choctawhatchee Bay, Fla., to the Rio Grande (6 feet from Choctawhatchee Bay to Pensacola Bay and 5 feet thence to the Rio Grande), at a total estimated cost of $3,632,910.

MISSISSIPPI RIVER COMMISSION.

The Mississippi River Commission, constituted by act of Congress of June 28, 1879, is in charge of the improvements of the Mississippi River from Head of Passes to the mouth of the Ohio River, including the rectification of Red and Atchafalaya Rivers at their junction with the Mississippi, the building of levees, and the improvement of the several harbors for which specific appropriations have been made. It is also charged with the survey of the Mississippi River from Head of Passes to its headwaters and with gauging the river and its tributaries.

The river and harbor acts of March 3, 1905, and March 2, 1907, prescribed that the money therein appropriated and authorized to be expended should be applied to the construction of suitable and necessary dredge boats and other devices and appliances and in the maintenance and operation of the same, with the view of ultimately obtaining and maintaining a navigable channel from Cairo down not less than 250 feet in width and 9 feet in depth at all periods of the year except when navigation is closed by ice. They also authorized allotments from such funds in the discretion of the commission and upon approval by the Chief of Engineers, to be applied to the water courses connected with the river and the harbors upon it now under the control of the Mississippi River Commission.

Act of Congress approved June 4, 1906, provides that any funds which have been or may hereafter be, appropriated by Congress for improving the Mississippi River between the Head of Passes and the mouth of the Ohio River, and which may be allotted to levees, may be expended under the direction of the Secretary of War, in accordance with the plans, specifications, and recommendations of the Mississippi River Commission, as approved by the Chief of

Engineers, upon levees upon any part of said river between the Head of Passes and Cape Girardeau, Mo.

Appropriations are now made annually, the allotment from the appropriation made by the river and harbor act of October 2, 1914, being for $3,750,000.

Act of Congress approved March 4, 1913, appropriated $200,000 for examination of the Mississippi River from Cape Girardeau, Mo., to Rock Island, Ill., by the Mississippi River Commission, with a view to such improvements as will at the same time promote navigation, develop water power, and protect property adjacent to said river * * * and for building such levees as may be found necessary.

The commissioners during the fiscal year were Col. C. McD. Townsend, Corps of Engineers, president; Col. J. G. Warren, Corps of Engineers; Col. Lansing H. Beach, Corps of Engineers; Homer P. Ritter, assistant, United States Coast and Geodetic Survey; Robert S. Taylor, until March 10, 1914; J. A. Ockerson; C. H. West; and Edward A. Glenn, from March 11, 1914.

Maj. Clarke S. Smith, Corps of Engineers, was on duty as secretary of the commission during the fiscal year.

Estimated for the fiscal year ending June 30, 1916.—The following estimate of funds required for carrying on the works under charge of the Mississippi River Commission for the year ending June 30, 1916, is submitted by the commission:

For continuing the improvement of the Mississippi River from Head of Passes to the mouth of the Ohio River, and for the building of levees from Head of Passes to Rock Island, Ill., and for surveys, including salaries and clerical, office, traveling, and miscellaneous expenses of the Mississippi River Commission---- $12,000,000

This estimate has been reduced in this office to $6,000,000.

The report of the commission on the operations under its charge during the fiscal year ending June 30, 1914, is submitted herewith as Appendix J J J of this report.

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EXPERIMENTAL TOWBOATS FOR MISSISSIPPI RIVER AND ITS TRIBUTARIES.

Under the provisions of section 1 of the river and harbor act approved June 25, 1910, a board, consisting of Col. Lansing H. Beach, Corps of Engineers; Lieut. Col. Henry C. Newcomer, Corps of Engineers; Lieut. Col. Charles L. Potter, Corps of Engineers; and Maj. (now Lieut. Col.) Charles Keller, Corps of Engineers, was appointed by paragraph 2 of Special Orders, No. 38, Office Chief of Engineers, August 2, 1910, "for the purpose of making investigations and designing and constructing two experimental towboats of modern but different types for use on the Mississippi River and its tributaries," etc.

The board has concluded its investigations and submitted its report under date of February 20, 1914, which was reviewed by the Board of Engineers for Rivers and Harbors, transmitted to Congress, and printed in House Document No. 857, Sixty-third Congress, second session. This report embodies the results of the investigations

made by the board and recommends types of towboats and barges to be built under this item of law. The necessary steps will be taken to build the experimental towboats, barges, and handling appliances as proposed in the report.

INVESTIGATION AND EXAMINATION OF TERMINAL AND TRANSFER FACILITIES CONTIGUOUS TO RIVERS AND HARBORS NOW UNDER IMPROVEMENT.

Section 4 of the river and harbor act of July 25, 1912, provided—

That the Secretary of War is authorized and directed to have made during the years 1912 and 1913, through the Chief of Engineers, United States Army, so far as practicable, an investigation and examination of all water terminal and transfer facilities contiguous to any harbor, river, or other waters under improvement by the United States, and reports on the same shall be submitted to Congress in annual reports or otherwise. Such examination and report shall include among other things the following:

(*a*) The general location and description of water terminals and the extent and method of their use by water carriers and their general efficiency, and whether open to use by all water carriers on equal terms, and such information as may be accessible as to the terms and conditions of use.

(*b*) Whether physical connection exists between such water terminals and the railroad or railroads serving the same territory or municipality, and also whether there exists between any of the water carriers operating upon waters under improvement or heretofore improved and any railroad or railroads a mutual contract for interchange of traffic by prorating as to such long-distance traffic as may be desired to be carried partly by rail and partly by water to its destination.

(*c*) Whether improved and adequate highways have been constructed to each water terminal.

(*d*) If no water terminals exist, there shall be included an opinion in general terms as to the necessity, number, and appropriate location of terminals upon such waters.

The prescribed investigation and examination have been made and the reports thereon have been transmitted to Congress and printed in House Document No. 226, Sixty-third Congress, first session.

PERMANENT INTERNATIONAL ASSOCIATION OF THE CONGRESSES OF NAVIGATION.

By act approved June 28, 1902, Congress appropriated the sum of $3,000 per year for the support and maintenance of the Permanent International Association of the Congresses of Navigation and for the payment of the actual expenses of the properly accredited national delegates of the United States to the meeting of the congresses and of the association.

At the beginning of the fiscal year the United States was represented on the Permanent International Association of the Congresses of Navigation by Brig. Gen. W. H. Bixby, Chief of Engineers, United States Army; Col. Harry F. Hodges, Corps of Engineers, United States Army; Lieut. Col. J. C. Sanford, Corps of Engineers, United States Army; Mr. Elmer L. Corthell; Mr. John Bogart; Hon. J. Hampton Moore, Member of Congress. No change in the representation has occurred during the year.

A meeting of the association was held at Brussels, Belgium, on May 28, 1911. For various reasons it was found not practicable to send a representative from the United States, but the views of the United States representatives on the association regarding certain

important subjects to be considered at the meeting were forwarded in writing.

The expenditures during the year from the above appropriation amounted to $2,008.94, and have been for the maintenance of the office of the American section of the Permanent International Association and the support and maintenance of the association for which the United States contributes $1,000 per annum.

Under the appropriation of $50,000, contained in the river and harbor act approved June 25, 1910, for the expenses of the twelfth congress, held at Philadelphia, Pa., May 23–28, 1912, and the cost of transporting the foreign members of the permanent association and authorized foreign delegates in the investigation of American waterways, the following work was done:

A large number of copies of the official report of proceedings of the congress, received from Brussels, were distributed to the American members of the twelfth congress.

Considerable correspondence was had with foreign members who had taken part in the inspection trip on the Great Lakes after the twelfth congress, in connection with the refunding to them the unexpended balance of funds paid by them for participation in the trip.

Outstanding accounts connected with the congress and with the furnishing by the Bussels office of a large number of extra copies of the report of proceedings were paid.

The expenditures during the year from the appropriation of June 25, 1910, amounted to $1,314.40, and have been for the payment of outstanding liabilities, clerical and messenger work, postage, stationery, and other expenses connected with the congress.

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SURVEY OF NORTHERN AND NORTHWESTERN LAKES.

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WORK OF FISCAL YEAR.

Surveys.—On July 1, 1913, six parties were engaged in field operations pertaining to appropriation "Survey of northern and northwestern lakes," and an additional party was employed on the survey of the inland route, Michigan, provided for by the river and harbor act of July 25, 1912. The six parties continued operations until November 12, 22, 3, 2, 19, and December 3, respectively. The field season of 1914 began in May. At the end of the fiscal year four parties were engaged on survey work, they having resumed operations on May 19, 7, 18, and 31, respectively. The scope of operations of these parties was, briefly, as follows:

East end of Lake Ontario.—This party was employed from July 1 to the close of the season, November 12, 1913, in continuing to the northward and eastward the surveys of the previous year. An area of 257 square miles, between Point Peninsula and Grenadier Island on the east and Prince Edward Point and Amherst Island on the west, and including also the passage between Stony Island and Stony Point, was sounded and swept. Topography was taken at various places along the American shore, covering 18 miles of shore line. Operations were resumed on May 19, 1914, and at the end of the fiscal year the party had completed hydrography over 30½ square miles along the east shore, and the topography at the southwest

end of Henderson Bay and at Sacketts Harbor and Madison Barracks. Several important shoals were discovered during the year.

West shore of Lake Huron.—From July 1 to November 5, 1913, this party completed the hydrography from Grindstone City to the vicinity of Forester, Mich., covering an area of 224 square miles, of which 118 square miles were swept. Topographic surveys were continued until November 22, at which time this work had been advanced from Port Crescent to Forester, a distance of 54 miles. The 1914 season began on May 7. The hydrography has been completed to within about 2 miles of Lexington, covering an area of 67 square miles (45 of which were swept). The shore line was surveyed from 2 miles north to 4 miles south of Lexington. Work was suspended in this locality on May 30, 1914, and the party proceeded to Lake Superior for the purpose of making a local survey in the vicinity of Marquette and Presque Isle Harbors.

Marquette and Presque Isle Harbors.—A survey was made in June, 1914, covering the stretch from the mouth of Chocolay River to Larus Island, past the harbors of Marquette and Presque Isle. An area of 30 square miles was swept and topography was taken along 18½ miles of shore line. The adjacent topography in Marquette and Presque Isle was thoroughly revised by reconnoissance. The hydrography developed five uncharted shoals, one of which, owing to its exposed location, is extremely important to navigation interests.

West shore of Lake Michigan.—The resurveys in this locality were under way at the beginning of the year. On July 8, the steamer and a portion of the party were withdrawn to conduct a survey of Grays Reef Passage, under the Grand Rapids engineer office. They returned on August 17, and continued operations until the close of the season, November 3, 1913. Operations were resumed on May 18, 1914, and at the end of the fiscal year the hydrography had been completed to Centerville, Wis., and a strip about 1 mile wide had been swept from Centerville to Manitowoc. The total area of hydrography accomplished during the year was 258 square miles, of which 80 square miles were swept. The topography of the adjacent shore was advanced northward to a point about 1 mile below Manitowoc, a distance of 55 miles, and the northern portion of Manitowoc was surveyed. Several uncharted shoals of more or less importance were discovered north of Sheboygan; and two rock reefs were located by this party in the northern end of the lake, while en route down from Grays Reef Passage.

Niagara River.—The fourth party was just completing the general resurvey of the upper Niagara River at the beginning of the year. This was finished on July 3, 1913, and attention was then directed to work pertaining to investigation of lake levels.

Magnetic surveys.—A magnetic survey over the waters of Lakes Erie and Ontario was in progress at the beginning of the year. The party was then at Cleveland, Ohio, having worked thus far from the western end of Lake Erie. The work was carried through to St. Regis, on the St. Lawrence, and some additional observations were made on the return trip to Detroit, which latter place was reached November 19. About 19,000 observations for magnetic declination were made over 3,635 linear miles of steamer traverse; also magnetic declination was determined with magnetometer at 51 shore stations. Abnormal variations were found at several localities, the more important being in the vicinities of Olcott and Tibbetts Point, N. Y., and Kingston, Ontario.

New York State canal system.—A sixth party was stationed at Phoenix, N. Y., on July 1, 1913, having in hand the survey, for charting purposes, of the "natural navigable waters of the New York canals." Topography was extended along the Oswego River to Oswego, N. Y.; along the Seneca River to the vicinity of Jordan; and around both sides of Onondaga Lake to Syracuse. Cross Lake and Onondaga Lake were sounded. Work was suspended on December 3, 1913, having covered the 59 linear miles of canal system required to complete the second of the New York charts. Operations were resumed on June 1, 1914, and at the end of the year the party had surveyed about 11 linear miles for the next chart to the westward.

Miscellaneous.—The field parties, en route to and from their season's work, made one minor local survey and located and examined 2 wrecks and 2 uncharted shoals, besides making 18 inspections of automatic water gauges.

Charts.—During the year ending June 30, 1914, the Lake Survey issued 29 editions, in colors, of separate charts, as follows: Three newly engraved and 18 revised and corrected Lake Survey charts of the Great Lakes, or 21 in all; 1 newly engraved chart of the New York canals; 4 charts of Lake Champlain, after revising plates transferred during the year from the Coast and Geodetic Survey; and 3 Hydrographic Office charts of the Great Lakes on the Mercator projection, after revising plates previously transferred from the Navy Department. Of the 21 Great Lakes charts mentioned, 2 contained newly added insets of 4 harbors on enlarged scale and 2 contained revised insets of 6 important localities.

The following compilation represents the progress of operations during the year on (1) Lake Survey charts of the Great Lakes under the general project of April 17, 1909, and (2) charts assigned to Lake Survey jurisdiction since formulation of that project.

1. Lake Survey charts of Great Lakes.

New charts (3) and revised old charts (3) completed during the year, based on both standards of projection and hydrography	6
Charts revised during the year for geodetic datum (exclusive of above 6)	1
Charts revised during the year for low-water reference (exclusive of above 6)	1
Corrected editions printed during the year for stock maintenance of series	13
Total number of editions published during the year	21
Number of insets included on charts published during the year	10
Charts discontinued during the year: 3 formerly separate harbor charts (now insets) and 7 obsolete charts	10
Net reduction in total number of current series	7
Net gain in number of charts based on both standards	8
Net gain in number of all charts revised for geodetic datum (deducting 3 revised charts discontinued)	4
Net gain in number of all charts revised for low-water reference (deducting 3 discontinued)	1

2. Charts assigned to Lake Survey since 1909 project.

Chart of New York canals series, based on both standards, new engraving completed and edition published during the year	1
Charts of Lake Champlain, existing copperplates, based on standard geodetic datum, corrected and editions published during the year	4
Hydrographic Office charts of Great Lakes, existing copperplates corrected and editions published during the year	3

At the end of the fiscal year four copperplates and five stone engravings of existing charts were being revised to standards or corrected for current changes preparatory to the printing of editions, and engravings were being made for five new charts of the Great Lakes series and one of the New York canals series.

Corrections in aids to navigation and other important features were continuously made during the year on the published charts remaining in stock at the time notices of such changes were received, in order that all charts sent out should as nearly as practicable show the existing conditions.

During the fiscal year ending June 30, 1914, the number of charts sold by the Detroit office was 17,793 and by the Buffalo office 2,795, the aggregate sales being 20,588. The proceeds of the sales, amounting to $3,156.78, were deposited to the credit of the Treasurer of the

United States. The Detroit office issued 3,431 charts for official use and the Buffalo office 32, a total of 3,463.

Besides the regular chart work above summarized, two small insets were prepared to show important magnetic determinations made during the 1913 field season on Lake Erie and Lake Ontario, respectively, and these were published for the benefit of navigation in Bulletin No. 23.

A large amount of work was done during the year for the Office of the Chief of Engineers on maps for the military branch, under the appropriation, "Maps, War Department, 1914."

Thirteen maps of Wabash River and Valley were photolithographed and 500 copies of each printed for the United States engineer office, Louisville, Ky.

Sheets 1 and 2, sailing charts of the Panama Canal, were photolithographed, transferred to stone, and 3,000 copies of each printed in three colors.

Bulletins, etc. The present edition of bulletins and supplements is 2,400 copies.

Supplements Nos. 3 to 7, Bulletin No. 22, were issued between July and November of the season of 1913. Bulletin No. 23 was published in April, and Supplements Nos. 1 and 2 were issued in May and June of the 1914 season.

Investigation of lake levels.—A field party was occupied from July 5 to September 4, 1913, in measuring the volume of flow in the *Niagara River* at a new section near the upper end of Grand Island for the purpose of checking the values previously determined at the two sections near the head of the river. Ten complete measurements were made. The party was then transferred to the *St. Lawrence River*, and on September 15 began discharge work at the Three-Points section. Thirty-five measurements were completed and several special investigations and studies made up to November 2, 1913, when the season's field work was suspended. Operations were resumed here on May 31, 1914, and at the end of the year the party had reinstated gauges and rerated meters and had completed nine additional observations of discharge at the Three-Points section. A second or check section had been selected and prepared ready for measurements.

The flow of water through the *Chicago Drainage Canal* was measured at Lemont, Ill., during the period December 15–23, 1913, for the purpose of verifying the reported amount of this diversion. Ninety-six separate determinations of discharge were made and simultaneous slope observations taken.

Temperature observations on the lakes were continued during the field seasons, and 1 staff and 10 self-registering gauges were maintained for the purpose of obtaining accurate continuous records of all changes in elevation of the water surfaces on the lakes and rivers. The table, printed on page 1535, of mean discharges for all of the Great Lakes at the mean stage of each for the past 54 years was brought up to date. A table was compiled showing the monthly water levels from July 1, 1913, to June 30, 1914, at Marquette, Mich., on Lake Superior; Milwaukee, Wis., on Lake Michigan; Harbor Beach, Mich., on Lake Huron; Cleveland, Ohio, on Lake Erie; and Oswego, N. Y., on Lake Ontario.

AMOUNT EXPENDED ON THE WORK.

The cost of the work since its inception may be taken as the expenditures therefor, less the amount received from the sale of charts. The statement of cost to June 30, 1914, is as follows:

Expenditures (including outstanding liabilities).[1]

For surveying and charting the Great Lakes and connecting waters	$4,773,583.64
For surveying and charting the lakes and other natural navigable waters embraced in the navigation system of the New York canals	23,592.01
Total	4,797,175.65
Receipts from the sale of charts	49,278.00
Total cost of work	4,747,897.65

STATUS OF WORK.

Surveys.—It is estimated that the field work accomplished previous to 1907, when the present project for surveys on the Great Lakes was formulated, will furnish about 50 per cent of the aggregate survey data which will be available and of live value when this project is completed. On the same basis, the progress to June 30, 1914, is 77 per cent. The present state of the various operations is about as follows: Triangulation, 85 per cent complete; precise leveling, 64 per cent; topography, 75 per cent; ordinary sounding (including sweeping), 70 per cent; and deep-sea sounding, 15 per cent; hydraulic measurements, 96 per cent; and magnetic observations, 97 per cent complete on land and 54 per cent on water.

The project for New York State canal surveys was about 25 per cent completed at the end of the fiscal year.

Charts.—On June 30, 1914, there were in force 118 charts, comprising 113 charts of the Lake Survey series on the polyconic projection and 5 Hydrographic Office general charts of the Lakes on the Mercator projection.

The following table shows the condition of the work on June 30, 1914:

Lake Survey charts of Great Lakes.

Total number of new or revised charts completed for both standards (geodetic datum and low water) on June 30, 1914	76
Charts revised for geodetic datum alone	15
Charts revised for low-water reference alone	7
Charts not revised to either standard	10
Total unit count on June 30, 1914	108
Total number of insets appearing on published charts on June 30, 1914	33
Total number of charts revised for geodetic datum (combining the 76 and 15 above)	91
Total number of charts revised for low-water reference (combining the 76 and 7 above)	83
New charts in process of engraving	5
Charts undergoing revision to standards	2

[1] See money statement on p. 1544.

Charts of New York State canals.

Completed, based on both standards	1
In process of engraving	1

Charts of Lake Champlain.

Completed, based on standard geodetic datum alone	4
Hydrographic Office charts of Great Lakes	5

COMMERCE BENEFITED.

The commerce affected by the operations of the Lake Survey and depending upon the publication and constant revision of charts and bulletins is practically the entire commerce of the Great Lakes. The private investment in American vessels on the Great Lakes was estimated in 1907 as upward of $125,000,000, and in terminal docks and facilities many millions more. The lake waterway permitted the movement during 1913 of freight estimated as aggregating over 100,000,000 tons.

TIME OF COMPLETION.

It was stated in the Annual Report of 1908 that, assuming adequate appropriations, the completion of the general lake survey project described in the Annual Report of 1907 would require 11 seasons' work, including the season of 1908. Since that estimate was made, however, the scope of operations has been enlarged by the acts of Congress approved March 4, 1911, and June 23, 1913, to include the natural navigable waters of the New York canals and Lake Champlain. Furthermore, the increased demand for lake charts has necessitated increased expenses in the chart department, correspondingly decreasing the amounts which it was expected to apply on field work on the Great Lakes. The expenses of the survey of the New York canals have also diminished those amounts. In consequence it has been necessary during the last few years to shorten the season of the field parties or to leave out of commission for an entire season a portion of the floating plants and equipment.

Along with the preparation of new charts and standard revision of old charts, which may be regarded as concrete features having an attainable end, the Lake Survey is obligated to maintain, as a continuing or going service, the integrity and accuracy of the series of charts already provided, so as to keep pace with constantly changing conditions. This feature of maintenance is one of primary importance, and the rapidity with which new or additional work is performed must be regulated with respect to the demands which the maintenance makes upon the working force and the available resources.

It is now apparent that the chart demands and the additional work mentioned will lengthen the time required for the completion of the project unless appropriations are correspondingly increased. The present estimate is that on the basis of the appropriation of $125,000 per annum the project will be completed in 1921.

After the completion of the general project the changing conditions of harbors, rivers, and shores, the occurrence of wrecks and of other

artificial obstructions to navigation, will require the maintenance of a small equipment and organization for the revision and issuance of charts and bulletins, for minor surveys and investigations in connection with wrecks and other obstructions, and for the dissemination of information to mariners.

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PRESERVATION OF NIAGARA FALLS.

HISTORY.

The act of Congress approved June 29, 1906, "For the control and regulation of the waters of Niagara River, for the preservation of Niagara Falls, and for other purposes," authorized the Secretary of War, in his discretion, to grant permits for the diversion of water on the American side for power purposes up to a limit of 15,600 cubic feet per second, and permits for the transmission of electrical power from Canada up to a limit of 160,000 horsepower. The act further authorized the granting of similar permits "For the diversion of additional amounts of water from the said river or its tributaries to such amount, if any, as in connection with the amount diverted on the Canadian side shall not injure or interfere with the navigable capacity of said river or its integrity and proper volume as a boundary stream or the scenic grandeur of Niagara Falls."

The study of the technical questions involved, requiring surveys and hydraulic measurements, was made by various officers of the Corps of Engineers.

The Secretary of War was also advised concerning landscape features by a special committee constituted by him, including officers of the Corps of Engineers and civilians, and known as the Niagara Falls committee.

Expenditures were provided for by allotments from the appropriation made by the act of June 29, 1906.

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REMOVAL OF WRECK OF U. S. BATTLESHIP "MAINE" FROM THE HARBOR OF HABANA.

The removal of the wreck of the *Maine* from Habana Harbor has been carried on with appropriations aggregating $900,000, made in the acts of May 9 and June 25, 1910; March 4 and December 22, 1911, by a board of engineer officers convened by paragraph 1, Special Orders, No. 36, Office Chief of Engineers, August 2, 1910, consisting of Col. W. M. Black, Lieut. Col. M. M. Patrick, and Maj. H. B. Ferguson.

The project for removing the wreck after first exposing it within a cofferdam was approved by the President October 13, 1910.

In addition to the removal of the wreck it was required: (1) That the remains of the men who went down with the vessel and which had not been recovered should be found, if possible, and removed to the Arlington National Cemetery for burial; (2) that the mainmast of the ship should be sent to the Arlington Cemetery and there re-

erected; (3) that the wreck should be so exposed, without derangement of its parts, as to permit all information possible to be obtained as to the nature and location of the explosion or explosions which caused the disaster.

Reports relative to the removal of the wreck and the progress thereof are printed in House Document No. 919, Sixty-first Congress, second session; Senate Document No. 765, Sixty-first Congress, third session; and in Annual Report of the Chief of Engineers, United States Army, for the fiscal year 1911, pages 1119 and 3039; for the fiscal year 1912, pages 1342 and 3565; and for the fiscal year 1913, pages 1498 and 3277. Plan of the locality and photographs of the wreck are included in the Annual Report for 1911.

The final report of the board for the removal of the wreck is printed in House Document No. 480, Sixty-third Congress, second session.

The report of the board appointed by the Secretary of the Navy to examine the wreck after it was unwatered is contained in House Document No. 310, Sixty-second Congress, second session.

All outstanding obligations have been settled and all funds on hand deposited in the United States Treasury to the credit of the appropriation. Since the annual report for 1913 was submitted $1,632.75 was received from the sale of plant to the Cuban Government and the total of outstanding liabilities was reduced in settlement to $11,420.20. Similarly, in the financial statement contained in House Document No. 480, Sixty-third Congress, second session, the statement of outstanding liabilities is $34.50 in excess of the total of the settled accounts. The total expenditure amounts to $802,235.68, including $3,113.88 reimbursed from other appropriations and $5,000 allotted to the Navy Department for the construction of memorial tablets, which is to be reimbursed from the sale of the tablets. In addition, $11,000 has been set aside for the erection of the mainmast in Arlington Cemetery. The removal to Arlington National Cemetery for burial of the remains of the men who went down with the vessel cost $4,090.50. There has been deposited in the Treasury from the sale of plant $4,290.97, leaving $785,740.33 as the actual cost of removing the wreck.

July 1, 1913, balance unexpended	$101,298.40
June 30, 1914, amount expended during fiscal year, for works of improvement	420.20
July 1, 1914, balance unexpended	100,878.20
July 1, 1914, outstanding liabilities	[1] 11,000.00
July 1, 1914, balance available	[2] 89,878.20

MONUMENTS AND MEMORIALS OUTSIDE THE DISTRICT OF COLUMBIA.

ERECTION OF MONUMENTS IN THE PHILADELPHIA, PA., DISTRICT.

1. MEMORIAL ARCH AT VALLEY FORGE, PA.

A previous history of this work is contained in the Annual Report of the Chief of Engineers for 1913, page 1499.

[1] Pledged for erection of mast.
[2] Exclusive of $5,000 to be reimbursed by sales from Navy Department.

At the beginning of the fiscal year the masonry work had been carried to a height of about 35 feet, and the arch was estimated to be about 40 per cent completed.

Construction work was continued from the beginning of the fiscal year to December 30, 1913, when all stone setting was completed except for a few minor details. Carving of the decorative work and cutting of the various inscriptions was continued during the winter, except during periods of very cold weather, and completed on March 17, 1914. The setting of the bronze rosettes in the soffit of the arch, the bronze letters on the attic panel, and the bronze medallions on the panels under the vault were completed May 9, 1914. All other items of work, including the cleaning down and pointing up of the stonework, constructing the granite roadway under the arch, cleaning up and clearing the site of the arch of débris, was completed on May 16, 1914. In the construction of the arch about 17,000 cubic feet of granite, about 7,100 cubic feet of brickwork, and about 1,000 cubic yards of concrete was used.

Expenditures during the year amounted to $68,279.81, of which $64,964.52 was paid to the contractor, $2,093.91 was paid to the architect, and $1,221.38 was expended for superintendence, office expenses, and incidentals. The total amount expended on the work to the end of the year was $98,881.87. The sum of $580.96 was deducted from payments due the contractor to cover the cost of superintendence and inspection of the work during the period of delay beyond the contract time limit. The unexpended balance of the appropriation is $1,187.13. The arch has not yet been transferred to the care and keeping of the Valley Forge Park Commission, as required by the act of June 25, 1910.

Amount appropriated by the sundry civil act of Mar. 4, 1911		$100,000.00
Amount received from sale of blue prints		69.00
Total		100,069.00
June 30, 1913, amount expended during previous fiscal years	$30,602.06	
June 30, 1914, amount expended during present fiscal year	68,279.81	
		98,881.87
July 1, 1914, balance available		1,187.13

2. MEMORIAL MONUMENT AT GERMANTOWN, PA.

The contractor proposes to construct the foundations and the three risers leading to the monument proper as soon as the landscape plan in the immediate vicinity of the monument has been approved by the art jury of Philadelphia. This approval is expected to be given at an early date, and it is probable that the foundation will be placed during the fall of 1914.

The execution of the one-third size working model of the monument is progressing satisfactorily, and the contractor expects to submit the same for approval before the end of the year 1914. It is expected that the monument proper will be assembled and placed in position during April or May of 1916.

Disbursements during the year covered the initial payment of $5,000 to the contractor, and incidental office expenses.

Amount appropriated by the sundry civil act approved Aug. 24, 1912		$25,000.00
Amount contributed by the National German-American Alliance and deposited in the Treasury of the United States		25,000.00
		50,000.00
June 30, 1914, amount expended during the fiscal year		5,027.04
July 1, 1914, balance available		44,972.96
July 1, 1914, amount covered by uncompleted contract		44,972.96

3. MONUMENT ON THE BATTLE FIELD OF PRINCETON, N. J.

A previous history of this work is contained in the Annual Report of the Chief of Engineers for 1913, page 1503.

The tripartite agreement entered into with Mr. MacMonnies on May 10, 1913, for modeling, executing, and erecting the monument has not yet been approved by the Chief of Engineers, as the necessary bond of $15,000 to accompany the contract has not yet been furnished. Negotiations looking to the execution of this bond are in progress. Expenditures during the year covered office expenses.

Amount appropriated by the act of June 8, 1906		$30,000.00
Amount contributed by the Princeton Battle Monument Association		30,000.00
		60,000.00
June 30, 1914, amount expended during the fiscal year from funds appropriated by the act of June 8, 1906	$27.67	
June 30, 1914, amount expended during the previous fiscal year by the Princeton Battle Monument Association	8,351.41	
		8,379.08
July 1, 1914, balance available		51,620.92
July 1, 1914, amount covered by uncompleted contract		51,620.92

ERECTION OF MONUMENT IN THE NORFOLK, VA., DISTRICT.

MONUMENT TO PRESIDENT TYLER IN HOLLYWOOD CEMETERY, RICHMOND, VA.

This monument is to be erected in accordance with a provision in the sundry civil act approved August 24, 1912, which appropriated $10,000 for the erection of a suitable monument over the grave of the late President Tyler in Hollywood Cemetery, Richmond, Va., as authorized by the act of March 11, 1911.

At the beginning of the fiscal year the Hollywood Cemetery Co. had presented evidence to the Secretary of War to show that it was a responsible legal association, and that it would assume the responsibility for the care and maintenance of the monument when constructed. Considerable correspondence had been had with the surviving members of the family of President Tyler in an attempt to obtain their views as to the character and the exact location of the monument.

During the fiscal year it was decided that the monument should have the character of a monolithic shaft, supported by a suitable

base, and containing in front of the monument, or on the front face thereof, a bronze bust or bas-relief portrait of President Tyler. A program of competition was drawn up, was submitted to the department, and was referred to the Committee of Fine Arts, and competitive designs for the monument was then requested by advertisement in the usual manner, the papers submitted being opened on February 16, 1914. A total of 25 designs were received from 12 separate parties. All of the papers in the case, together with drawings, models, samples of stone, etc., were, by direction of the Secretary of War, referred to the Committee of Fine Arts. These designs were examined by this committee in the War Department, and under date of March 21, 1914, they recommended to the Secretary of War that the design of the T. F. McGann & Sons Co., of Boston, Mass., be accepted. This recommendation having been approved by the Secretary of War, a contract with that company was entered into in the latter part of the fiscal year.

At the end of the fiscal year, however, no actual work had been done.

Under the terms of the competition an honorarium of $200 was to be paid to the person submitting the second best design. This honorarium, upon the recommendation of the Committee of Fine Arts, approved by the Secretary of War, has been paid to Mr. U. S. J. Dunbar, of Washington, D. C., who submitted a design considered by the Committee of Fine Arts as second best and as being worthy of the honorarium.

The expenses connected with this monument, including the cost of printing, advertising, travel expenses, and the transportation of models, was $296.86, of which amount, however, $8.75 was still outstanding at the end of the fiscal year, the actual amount paid out during the fiscal year being $282.93.

July 1, 1913, balance unexpended	$9,994.82
June 30, 1914, amount expended during fiscal year, for works of improvement	282.93
July 1, 1914, balance unexpended	9,711.89
July 1, 1914, outstanding liabilities	8.75
July 1, 1914, balance available	9,703.14
July 1, 1914, amount covered by uncompleted contracts	9,200.00

ERECTION OF MONUMENT IN THE WILMINGTON, N. C., DISTRICT.

MONUMENT TO COMMEMORATE THE BATTLE OF GUILFORD COURT HOUSE, N. C., AND IN MEMORY OF MAJ. GEN. NATHANAEL GREENE AND THE OFFICERS AND SOLDIERS OF THE CONTINENTAL ARMY WHO PARTICIPATED WITH HIM IN THE BATTLE OF GUILFORD COURT HOUSE.

By act of Congress approved February 13, 1911, the sum of $30,000 was authorized to be appropriated for the erection of a monument on the battle field of Guilford Court House, Guilford County, N. C., to commemorate the battle fought there on March 15, 1781, by the American forces, commanded by Maj. Gen. Nathanael Greene, and in memory of Maj. Gen. Nathanael Greene and the officers and soldiers of the Continental Army who participated in the Battle of Guilford

Court House. The appropriation of the $30,000 for this purpose was contained in the sundry civil appropriation act approved March 4, 1911, which provided that the funds should be expended under the direction of the Secretary of War and by such officer as might be designated by him.

The full-size clay model of the equestrian statue was nearly completed at the close of the fiscal year and will soon be ready to turn over to the bronze foundry. A half-size model of the memorial figure has been completed. Drawings and specifications for the stone and concrete work have been prepared.

The expenditures for the year were $1.07, for travel expenses.

July 1, 1913, balance unexpended	$28,777.67
June 30, 1914, amount expended during fiscal year, for works of improvement	1.07
July 1, 1914, balance unexpended	28,776.60
July 1, 1914, amount covered by uncompleted contracts	27,500.00

ERECTION OF MONUMENT IN THE SAVANNAH, GA., DISTRICT.

This work was in charge of Col. Dan C. Kingman, Corps of Engineers, until October 9, 1913; Maj. George P. Howell, Corps of Engineers, from October 9, 1913, until January 7, 1914; Col. W. C. Langfitt, Corps of Engineers, from January 7, 1914, until June 20, 1914; and Col. John Biddle, Corps of Engineers, since that dtae.

MONUMENT TO GENS. SCREVEN AND STEWART—MIDWAY CEMETERY, GA.

By act of Congress approved March 4, 1911, Congress authorized the erection of a monument in the old cemetery at Midway, Liberty County, Ga., in memory of the lives and public services of Gen. James Screven and Gen. Daniel Stewart. The act specified that the appropriation should be expended "under the direction of the Secretary of War, and the design may be made by the Midway Society, charged as it is with the preservation and care of said cemetery: *Provided*, That said design shall be approved by the Secretary of War." The sundry civil act of August 24, 1912, appropriated $10,000 for the work. The cemetery is situated 30 miles from Savannah, Ga., on the old Oglethorpe highway between Savannah and Darien, Ga.

A design of the monument was made by the McNeel Marble Co., of Marietta, Ga., for the Midway Society. It was later modified by Mr. George Burnap, of the office of public buildings and grounds, War Department, accepted by the Midway Society, and approved by the Secretary of War.

Contract for the work was entered into with the McNeel Marble Co., of Marietta, Ga., February 9, 1914, and the erection was commenced early in April, 1914. At the end of the fiscal year the monument had been completed and about 95 per cent of the erection work finished. In addition, a concrete walk will be constructed around the base of the monument with the contingency funds on hand. The amount expended, $171.61, was for office expenses, inspection, and contingencies.

The work will be completed early in July, 1914.

June 30, 1914, amount expended during fiscal year, for works of improvement	$171.61
July 1, 1914, balance unexpended	9,828.39
July 1, 1914, outstanding liabilities	160.47
July 1, 1914, balance available	9,667.92
July 1, 1914, amount covered by uncompleted contracts	9,500.00

ERECTION OF MONUMENT IN THE NEW ORLEANS, LA., DISTRICT.

MONUMENT TO THE MEMORY OF THE AMERICAN SOLDIERS WHO FELL IN THE BATTLE OF NEW ORLEANS, IN THE WAR OF 1812.

By act of Congress approved March 4, 1907, Congress appropriated $25,000 for the completion of a monument to the memory of the American soldiers who fell in the Battle of New Orleans, in the War of 1812. The design of the monument was approved by the Secretary of War, May 17, 1907, and the work of construction and disbursement of funds assigned to the Engineer Department. The site of the monument is at Chalmette, La.

The Chalmette monument was originally designed by Newton Richards, whose plans were accepted by the Jackson Monument Association in May, 1855. For a history of completion see Report of the Chief of Engineers for 1909, page 949.

A contract for the completion of the monument was made with M. P. Doullut, of New Orleans, on December 7, 1907; work was commenced January 16, 1908; completed by the contractor in December, 1908; and in March, 1909, transferred to the custody of the United Daughters of the Revolution and 1812, as required by the act of March 4, 1907, under authority of a letter from the Secretary of War dated March 5, 1909.

During November, 1912, the association, United States Daughters 1776–1812, reported that certain repairs were necessary to the monument, which had been completed by the United States under project approved March 4, 1907. These repairs consisted of the following: Furnishing and attaching 2 marble panels and attaching 14 other panels to brickwork with bronze expansion bolts, new brass key for lock, scraping and painting ceiling and clearing lintels in observation room, repairing bronze casing of windows, etc., removing discoloration from outside above and below observation windows, and repairing concrete walk to the monument.

At the end of the fiscal year 1913 the repairs were practically completed, with the exception of the placing of a few bolts.

Work during the fiscal year 1914.—The repairs were completed and final payment was made the contractor on July 25, 1913.

A report on matter of constructing a road leading from the public highway to the monument was made to the department under date of February 5, 1914.

The amount expended during the fiscal year was $200.

The amount expended under all projects was $25,200.75, of which $750 was paid for preparation of plans, $23,383.32 to the contractor,

$867.43 for miscellaneous expenses and inspections, etc., and $200 for repairs. Seventy-five cents was derived from sale of blue prints.

It is believed that no additional repairs will be necessary or funds needed during the fiscal year 1915, unless construction of road is authorized.

July 1, 1913, balance unexpended	$200
July 1, 1913, outstanding liabilities	200

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DAN C. KINGMAN,
Chief of Engineers, United States Army.

REPORT OF THE CHIEF OF ORDNANCE.

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ORDNANCE,
October 1, 1914.

SIR: I have the honor to submit the following report on the principal operations of the Ordnance Department during the past fiscal year, together with certain remarks as to its interests and necessities.

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FISCAL AFFAIRS.

The statement giving the receipts and expenditures of the Ordnance Department under general headings for the fiscal year of 1914 is herewith submitted in tabular form, so as to show the data under the various appropriations made for the service of this department, including those for experiments conducted under the direction of the Board of Ordnance and Fortification, and for the purchase of submarine mines, the control of which rests with the Chief of Coast Artillery.

The tables constituting the statement show that on July 1, 1913, there was in the Treasury and in the possession of disbursing officers the sum of $16,573,174.12.

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The total amount of the appropriations for the fiscal year 1914 was $10,214,136.02. The total amount with which the appropriations were credited in accordance with authority of law from sales, transfers, etc., was $2,559,675.96. The total payments made by disbursing officers and by Treasury settlements during the year amounted to $15,264,561.18. The total sales of condemned stores during the year amounted to $108,933.77, all of which was credited on the books of the Treasury Department to "Ordnance material (proceeds of sales)." The total sales to other parties covered into the Treasury Department to the credit of the fund "Miscellaneous receipts" amounted to $15,770.84. The total amount to the credit of disbursing officers on June 30, 1914, was $2,298,622.34, and the total amount in the Treasury on the same date was $11,645,697.78.

FUNDS ON HAND AT THE BEGINNING AND CLOSE OF THE FISCAL YEAR.

The principal amounts on hand at the beginning of the year pertained to the following appropriations:

Small-arms target practice, 1913 and 1914	$703,128.96
Replacing ordnance and ordnance stores:	
1912 and 1913	637,840.44
1913 and 1914	1,077,554.99
Field artillery for Organized Militia:	
1913 and 1914	864,266.33
1913–1915	999,385.89
Fortifications in insular possessions	1,407,756.16
Armament of fortifications	5,685,822.66

The status of these appropriations at the close of the fiscal year will be seen by reference to the tabular statement.

The principal amounts on hand at the close of the fiscal year pertained to the following appropriations:

Replacing ordnance and ordnance stores, 1914 and 1915	$1,249,819.83
Field artillery for Organized Militia, 1914–1916	2,099,998.95
Ammunition for field artillery, Organized Militia, 1914–1916	2,941,650.52
Armament of fortifications, Isthmian Canal	1,187,347.62
Armament of fortifications	2,367,176.87

The balances under the appropriations "Field artillery for Organized Militia, 1914–1916" and "Ammunition for field artillery for Organized Militia, 1914–1916" are available for the fiscal years 1915 and 1916.

Of the above amounts reported on hand at the close of the fiscal year the greater portion in nearly every case had been allotted to meet outstanding obligations. The available balances under the above-named appropriations at the close of the fiscal year are as follows:

Replacing ordnance and ordnance stores, 1914 and 1915	$134,204.24
Field artillery for Organized Militia, 1914–1916	1,245,059.74
Ammunition for field artillery, Organized Militia, 1914–1916	629,893.90
Armament of fortifications, Isthmian Canal	185,764.29
Armament of fortifications	120,612.83

It will be seen, in the case of the above-named appropriations, that they were largely obligated at the close of the fiscal year, except in the case of those appropriations which had recently been made and increased by Congress.

TRANSFERS AND SALES OF SERVICEABLE ORDNANCE STORES.

The value of ordnance stores transferred to the executive departments and the Organized Militia is refunded to ordnance appropriations by Treasury settlements, and the funds received become available during the year in which their disposition is effected, and remain so during that and the following year for replacing the stores transferred. The total value of the stores thus transferred amounted to $2,252,948.79. Of this amount $688,637.27 was on account of transfers to the Navy Department, $157,351.65 on account of transfers to the Marine Corps, $194,036.50 on account of transfers to other executive departments, and $1,212,923.37 on account of transfers to the Organized Militia.

The total transfers and sales amounted to $2,559,675.96, which is 25 per cent of the total amount appropriated for the use of this department in arming, equipping, and supplying the Regular Army.

PAYMENTS.

The total payments made by disbursing officers amounted to $14,740,533.67, and by Treasury settlements to $524,027.51, a total of $15,264,561.18. The appropriations proper for the year amounted to $10,214,136.02.

The amounts of disbursements made at the principal arsenals and in the Ordnance Office during the fiscal year are as follows:

Frankford Arsenal	$3,831,568.18
Rock Island Arsenal	3,504,919.57
Springfield Armory	992,570.04
Picatinny Arsenal	653,770.84
Watervliet Arsenal	587,045.34
Watertown Arsenal	999,311.96
Ordnance Office	3,156,961.42

AMOUNTS COVERED INTO THE SURPLUS FUND.

The principal amounts covered into the surplus fund of the Treasury were:

Ordnance stores, ammunition, 1911 and 1912	$1,450.93
Ordnance stores and supplies, 1911 and 1912	1,118.52
Small-arms target practice, 1911 and 1912	1,852.57
Repairs of arsenals, 1912	2,132.42
Manufacture of arms, 1911 and 1912	1,260.30

COMPARISON OF THE FISCAL STATEMENT WITH THAT OF THE PRECEDING YEAR.

Comparing the fiscal statement with that of the preceding year it will be found that the amount of the appropriations was decreased from $10,934,123.61 to $10,214,136.02, a decrease of $719,987.59. The amount of disbursements increased from $10,204,316.74 to $14,740,533.67. The amount received from transfers to the executive departments and the Organized Militia increased from $1,859,223.91 to $2,252,948.79. The amount available for disbursement at the close of the fiscal year decreased from $16,573,174.12 to $13,944,320.12, a decrease of $2,628,854.

PROCUREMENT OF SUPPLIES, EQUIPMENT, ETC., FOR THE ORGANIZED MILITIA.

In recent years it has been the universal practice to issue supplies, etc., to the militia from stores on hand and obtain reimbursement for them by transfer of funds by the Auditor for the War Department. The transfer was made from funds applicable for the Organized Militia to the fund "Replacing ordnance and ordnance stores" pertaining to the Ordnance Department.

The average yearly value of the stores so issued for several years has been about $800,000, and taking into account the time from the issue of the stores until reimbursement is received and the time then required to manufacture or purchase the replacing stores, a year, approximately, is required to replace the stores so issued. This method of replacement results in the stores of this department being constantly depleted to the extent of $800,000. To correct this condition the Secretary of War has placed at the disposition of this department at the beginning of the fiscal year 1915, for direct expenditure, funds estimated to cover 80 per cent of these issues, and later,

as the needs of the year develop, more funds will be advanced, if required, to cover expected issues; this should provide a larger supply of stores constantly on hand for issue.

A record is kept of the value of all stores issued to the militia, both in the Division of Militia Affairs and in this office, and care will be taken to issue stores to the full value of the money so transferred to this department. As Treasury settlements will no longer be required, it is expected that there will be a considerable reduction of correspondence under the new system.

SCIENTIFIC MANAGEMENT.

In my annual reports for the fiscal years 1911, 1912, and 1913, I have very fully set forth the experience which this department has had in the introduction of improved methods of shop operation in the various arsenals, and have described the advantages which have resulted from them, both to the Government and to the employees of the department. While systemization features have been introduced to a considerable extent in all the arsenals, the feature which relates directly to the efforts made by individual workmen and to the rewards given for good results has been applied at the Watertown Arsenal only. This feature involves what is known as "time study" of any given piece of work, the consequent fixing of a time in which it should properly be done, and the setting of a rate for reaching or approximating this time; the idea being that the Government would be benefited by an increase of individual output and the employee would be benefited by an increase in his pay. I have so fully set forth in my former reports the advantages which have resulted, both to the Government and the employees, from the use of this system that there is little left to be added, except to state in a general way that with the extension of the system, which is continually being made, the advantages have continued and increased. At the Watertown Arsenal the time study and premium features have been extended during the last fiscal year to branches of the establishment which had not previously enjoyed them and the amount of premium work in most of the individual branches has been increased. The following figures relate to the month of August, 1914:

	Number employed on premium work.	Average premium over and above the regular pay expressed as a percentage of the latter.	Percentage of all the work done which was performed under premium.
Molders	11	29.27	77.51
Machinists	167	28.18	54.39
Machinists' helpers	29	28.08	12.98
Laborers	29	22.03	9.62
Carpenters	8	29.50	18.59
Blacksmiths	5	20.59	13.93
Teamsters	5	26.87	98.59
Blacksmiths' helpers	6	19.29	12.40
Carpenters' helpers	1	31.43	.31
Screw makers	1	34.16	100.00
Chippers	1	42.01	27.79
Furnace helpers	1	23.11	2.09
Steam-hammer drivers	1	27.01	3.41
Skilled workmen	1	23.16	18.19
Masons' helpers	1	28.06	35.51
Molders' helpers	3	65.38	1.74
Painters	2	10.10	11.81
Skilled laborers	2	22.74	19.79

It thus appears that during that month the 11 molders, for instance, worked, upon the whole, 77.51 per cent of their time upon premium work, and that during this time they earned over and above their daily wages a sum which amounted, as a whole, to 29.27 per cent of such wages. As their regular wages vary from $3.04 to $3.68 per day, they thus earned, during 77.51 per cent of their time, an extra amount per day varying from about $0.90 to $1.10.

As it is considered advantageous to have the men earn these premiums, and as the opportunities for placing men upon premium jobs can be made greater by care and attention upon the part of the foremen, and the output of the workmen and their consequent earnings can be increased by such care and attention, a system is employed of paying premiums to the foremen, which depend upon the number of their men who are given work upon premium jobs and upon the amount which is made by the men. Under this system there was paid to eight foremen, during the month of August, a sum averaging about 10 per cent of their regular wages. Including this last sum, the total amount which was paid out in premiums at the arsenal during the month of August was $2,657.29, and the total amount of time which was spent in work under the premium system was 26.25 per cent of all the working time at the arsenal during that month.

The time study of work and the accompanying premium system of payment are not liked by many of the labor organizations, and these have manifested strong hostility to the system in practice at the Watertown Arsenal and have exerted their power to stop it. Bills have been introduced in Congress to this effect, and have received the favorable report of some committees. A great many objections have been urged, some of which relate to the economical and other advantages realized by the Government and some to the effect upon the employees. The failure of advantage to the Government is not given by any committee of Congress as a reason for hostile action against the system. The advantage has been so completely and frequently demonstrated that it need not be dwelt upon now. The disadvantage to the employees, who are held by labor organizations to be under their protection, has included two principal items: First, an employee, such as a machinist, of high grade is not given opportunities to earn premium under the system as numerous and as profitable as are those which are given to machinists of lower grade, the accompanying allegation being made that an object of the system is to do away with the high-grade machinist and substitute for him an abnormally stimulated man of lower grade, developed to great speed along one line only, and of less general value in industrial work than the higher-grade man whom he is intended to displace. The figures at the Watertown Arsenal obviate any necessity for discussion of the question of the desirability of the substitution of low-grade special workers for high grade all-around artisans, which is a process striven for in all manufacturing operations. At the arsenal high-grade machinists receive $3.52 per day, low-grade machinists $2.56 per day, and certain machine operators $2.40 and $2.24 per day. During a certain recorded period there was paid to the high-grade machinists for their increased earnings under the premium system a sum averaging

$426.14 each, which was equivalent, for each one of them, to 121 days' pay. There was paid to the low-grade machinists, the $2.56 men, a sum averaging $144.74 each, amounting to 56 days' pay; and there were paid to the $2.40 and $2.24 machine operators sums amounting, respectively, to $117.22 and $32.74 each, or 49 and 14 days' pay. The great relative advantage for the high-grade man is thus seen at a glance, and this particular charge in regard to the effect of the system is shown to be at absolute variance with the facts.

The second charge made is that the system involves the undesirable speeding up of men, stimulated by reward and punishment, to their resulting physical, mental, and moral detriment. When this charge was first made, at the beginning of the practice of the system in the Ordnance Department, it was speculative only and based upon estimates of the practice which were adduced from the reading of the writings of the advocates of the system, and it could be met only by arguments to the effect that these writings were misread and that the department had no intention of inflicting any of the evils apprehended on the workmen. The features objected to have now been in practice at the Watertown Arsenal for something over three years, and in examining the charge of disadvantage to the employees we are no longer required to deal with speculations and premises, but can appeal to a rather extensive experience, which only needs investigation for its interpretation. An investigation worthy of the name has been made by one body only, a special committee appointed by the House of Representatives about two years ago, while the practice of the system in this department was still quite new. This committee visited Watertown Arsenal and other establishments and took a great deal of testimony, which was printed in three rather large volumes. As a result of this extensive investigation the committee did not find, and did not say that it found, anything to the disadvantage of the employees in practice anywhere in the Ordnance Department. It stigmatized certain practices as undersirable, but did not state it found these practices in existence at any of the arsenals, and there is no difficulty in joining heartily in its statements in regard to them. It reported that the whole subject was at that time too new for definite conclusions in regard to it to be made, and it recommended that there should be no legislation by Congress upon the subject at that time.

Some time after the submission of this report of the committee Congress, in August, 1912, created the Commission on Industrial Relations, of which the membership was appointed and confirmed about a year later. Following the recommendation of the Chief of Ordnance the subject of the practice of scientific management at the arsenals of the Ordnance Department was taken up by the commission, which now has it under examination. It has taken considerable testimony but has not yet personally investigated any of the arsenals. In the meantime bills have been introduced in Congress hostile to the system, as above mentioned, prominent among which is one known as "H. R. 17800," introduced by Mr. Deitrick in the House of Representatives on July 9, 1914, following other bills of substantially the same effect which had been introduced earlier. The Committee on Labor of the House has taken some testimony upon the subject

of these bills and has made a report recommending legislation against the time-study and premium system. The testimony taken was not nearly as extensive as that published by the special investigating committee of the House, above mentioned, and the Committee on Labor has not visited any of the arsenals. Certain statements made in the report of the committee are so erroneous that they seem only to be accounted for by the difficulty of appreciating verbal testimony without the acquaintance with actual conditions which could only be had by a visit to the establishment concerned. For instance, it is said in the report of the committee that the system "really operates to reduce the workmen's wages, not to increase them." The figures given above in this report, and hundreds of others of like purport which are to be found in the records of this department, many of which have been published, make this statement utterly impossible of comprehension under any other explanation of it than the one which I have given in regard to the difficulty of appreciating the conditions without a personal local examination.

Since the Commission on Industrial Relations has been especially created by Congress to give attention to such questions as this one; in view of its careful selection by the President and confirmation by the Senate, and of the expense which the country is incurring in maintaining it, it seems strongly to be desired that Congress shall not take action upon a subject to which the commission is devoting an important share of its attention, until after it shall have received the report and recommendation of this body which it has created as its agent.

CASH REWARDS FOR EMPLOYEES.

In previous annual reports reference has been made to the passage of an act authorizing the payment of cash rewards for the most valuable suggestions submitted by employees, and in my last report a table was submitted showing the payments made since the passage of that act. That table is repeated below, including the data for the fiscal year 1914:

Period.	Number of meritorious suggestions.	Total amount paid.	Average for suggestion.
Oct. 1, 1912, to June 30, 1913	12	$148.46	$12.37
July 1, 1913, to June 30, 1914	7	169.36	24.19

The amounts paid under the act have not been as great as was expected; they have, however, enabled the department to reward meritorious suggestions, which previously could not have been done. The purpose of the act, therefore, is being accomplished.

OPERATION OF LIABILITY ACT.

A table of data showing the operation of this act was given in my last annual report; that table is repeated below with data for the fiscal year 1914 added:

Year.	Total injured.	Absent on account of injury.							Amount paid on account of disability.	Total number of employees.
		Total.	0 to 5 days.	5 to 10 days.	10 to 15 days.	15 to 20 days.	20 to 25 days.	25 days and over.		
1909	286	236	87	33	13	44	13	46	$3,714.70	6,628
1910	372	284	78	37	19	47	39	64	11,541.15	6,037
1911	518	326	115	29	12	47	43	80	15,218.85	5,444
1912	612	358	131	29	11	65	43	79	15,865.99	5,317
1913	800	441	178	44	17	64	48	90	18,376.30	5,305
1914	1,518	566	229	75	37	101	34	90	18,631.92	6,127
Total	4,106	2,211	818	247	109	368	220	449	83,348.91	.....

It will be noted from the above table that while the total number of absences on account of injury for the last two fiscal years is about the same, the amount paid on account of such disability during the fiscal year ended June 30, 1914, while slightly greater than that for the preceding fiscal year, is proportionally less, considering the number employed.

As stated in my last annual report, it is believed that existing law might be improved by changing it so that payment for time lost through injury would commence concurrently with the loss of time and that the payment should not be full payment, but should leave upon the employee a sufficient part of the burden to constitute an incentive for returning to his work with reasonable promptness.

* * * * * * *

ORDNANCE EQUIPMENT OF MOBILE ARMY FOR WAR.

As stated in the war plans of the Ordnance Department, General Orders, No. 3, Office of the Chief of Ordnance, August 25, 1913, are based on the premises—

> That sufficient arms, equipments, and ammunition will be on hand, either in the hands of troops or in store, for the enlarged Regular Army and the enlarged Organized Militia * * *, with a surplus for an additional volunteer force, which surplus will be greater in some articles than in others, being designed to be greatest in those things which take the longest time for their production; and that purchase and manufacture of additional ordnance and ordnance stores will be immediately accelerated, taking advantage of the interval which would be required for the organization of volunteer or other new troops.

Regular Army.—Small arms and personal equipments for the recruits necessary to bring the regular organizations from peace to war strength, as prescribed by Tables of Organization, 1914, are stored at the recruit depots, so that in case of emergency recruits could be armed and equipped thereat before joining their proper organizations. The necessary horse equipments are on hand at the various supply arsenals.

Organized Militia.—The greater part of the small arms, personal and horse equipments essentially required for equipping the increase

in the Organized Militia of the various States and Territories to bring these organizations from the minimum peace strength prescribed by militia regulations to war strength prescribed by Tables of Organization, 1914, are now packed and marked, ready for shipment to the various State mobilization camps. As a result of instructions received for the issue of Infantry equipment, model of 1910, to all Infantry organizations not already equipped therewith, and to companies of Coast Artillery to be organized into provisional regiments for active service, some of the equipment set aside for the increased militia will have to be broken up and utilized to make these issues. The equipments so issued will be replaced later by the old model equipments turned in. Nearly all the small arms and equipments for this purpose for States in the Eastern Department, east of Kentucky and north of North Carolina, are stored at Army Field Supply Depot No. 1, Philadelphia, Pa., and for the remaining States comprising the Eastern Department and for each of the other departments in the United States at the supply arsenal for that department.

Volunteers.—The small arms, personal and horse equipments essentially required for the volunteer branch of the Army are on hand, under manufacture or covered by current funds available for their manufacture, except a considerable number of horse equipments which are still required to complete the equipments of the volunteer Field Artillery. In addition to the shortage of horse equipment for Field Artillery troops, there is a complete deficiency of horse equipment required for other branches of the volunteer service in case of emergency, such as staff departments, mounted detachments, mounted engineers, mounted Signal Corps troops, and Hospital Corps troops accompanying mounted detachments.

In case of war with a first-class power the army to be raised under such conditions could be supplied with the small-arms ammunition required by Tables of Organization, 1914, to be carried with the organizations in ammunition train and in the ammunition column. The small-arms ammunition required other than this could rapidly be manufactured, in case of necessity.

Field Artillery.—Of the 264 batteries required for a mobile army of 450,000 officers and enlisted men in continental United States in case of war with a first-class power, the necessary number of field guns, carriages, limbers, and equipments for 212 batteries are now in the possession of the Regular Army or Organized Militia, in ordnance establishments, under manufacture, or to be manufactured under appropriations now available, with the exception of a number of horse equipments for individually mounted men. It should be borne in mind, however, that this number of batteries are not now available, as appropriations have been made only recently for a number of batteries which will require some time to complete their manufacture.

The amount of ammunition on hand for field guns is far short of that considered advisable, although appropriations for this purpose have been materially increased.

No permanent ammunition trains have been provided.

SMALL ARMS.

Semiautomatic shoulder rifle.—Tests of semiautomatic shoulder rifles, both designed by this department and submitted by inventors, have been continued throughout the year. During the year there has been designed at the Springfield Armory one of these rifles which has given good promise. Action has been taken by this department to obtain a price at which there could be procured a limited number of semiautomatic shoulder rifles similar to the one which has previously been tested at the Springfield Armory with very promising results. If this price is satisfactory it is contemplated that purchase of some of these rifles, for test, will be made.

Battle sight.—The proper setting of the battle sight was again brought up as the result of field firings at Texas City during the past year. Recommendation was made by this office for a setting of 350 yards for the battle sight. All rifles fitted with special battle sights have been forwarded to the Second Division for test, but no reports have yet been received as to the results.

Test of unserviceable rifles.—Bulletin No. 24, War Department, 1913, was issued to meet a demand from officers of the Inspector General's Department to provide an accuracy test to determine whether a rifle in use has been rendered unserviceable in that respect. Actual firing was considered the only safe guide for such a determination and was prescribed in the bulletin referred to above. Where a large number of rifles are to be tested, this firing requires the expenditure of considerable ammunition and time. A method of testing by the use of a plug gauge which will eliminate the actual firing of a large proportion of such rifles is under consideration.

Hollifield rifle rod outfits.—Action has been taken by this department to procure a number of these outfits, complete, for use with dummy cartridges, and issue thereof is to be made, one to each Cavalry troop and Infantry and Coast Artillery company.

Automatic pistol, caliber .45.—The automatic pistol has now been issued to all branches of the Regular Army, and a sufficient number are on hand, or are being procured under appropriations, to equip the Organized Militia of the various States and Territories, and to provide some for reserve purposes. It is thought that the issue of this arm to the militia organizations will be completed within the near future.

It has been gratifying to note that the introduction of this new pistol into the service has been accomplished without developing any defects not observed in the tests. In a few cases reported the failure of the pistol to operate was due to neglect in not cleaning the working parts which are covered with cosmoline when packed.

Gallery practice pistol.—There has been devised by this department a method of converting the automatic pistol, caliber .45, into a gallery practice pistol. This was tested at the School of Musketry with favorable results, and 25 automatic pistols have been converted into gallery practice pistols and issued to the regular service for test and report. These pistols can not be fired automatically.

For preliminary instruction in pistol practice there has also been devised a flash-light pistol carrying a small tungsten light in the bore and a dry cell in the magazine of the pistol. The electrical connec-

tions are so arranged that the light is illuminated when the hammer falls after pulling the trigger, and a light spot is projected on the target.

Cavalry sword and scabbard.—The manufacture of the new sword and scabbard for officers and enlisted men, referred to in my last annual report, the name of which has since been changed to "saber and scabbard, model of 1913," has progressed satisfactorily, and issue thereof has been begun to Cavalry troops of the Regular Army.

Free issue of rifles, model of 1898.—The Army appropriation act approved April 27, 1914, contains the following provision:

> *Provided further*, That the Secretary of War is hereby authorized to issue, without expense to the United States, for use in target practice, United States magazine rifles and appendages therefor not of the existing service model and not necessary for the maintenance of a proper reserve supply, together with forty rounds of ball cartridges suitable to said arm, for each range at which target practice is had, not to exceed a total of one hundred and twenty rounds per year per man participating in target practice, to rifle clubs organized under the rules of the National Board for the Promotion of Rifle Practice and to schools having a uniformed corps of cadets and carrying on military training, in sufficient number for the proper conduct of target practice.
>
> Issues of public property under this provision shall be made in compliance with regulations prescribed by the Secretary of War insuring the designed use of the property issued, providing against loss to the United States through lack of proper care, and for the return of the property when required, and embodying such other requirements as he may consider necessary adequately to safeguard the interests of the United States.

The regulations necessary to put the above provision into effect have been approved.

Range finder for Infantry and Cavalry.—As a result of extensive tests made at the School of Musketry of range finders for Infantry and Cavalry, the 80 cm. base Goerz range finder was recommended for adoption. It was further recommended that one range finder be issued to each troop of Cavalry, company of Infantry, and machine-gun platoon. Contract has been entered into by this department with the manufacturer for 50 of these range finders. This department has drawn up a set of general specifications for range finders, and circular advertisement has been sent out for 200 instruments constructed in accordance therewith for issue to the Regular Army and the Organized Militia.

The funds of this department applicable for the purpose of purchasing range finders have not been sufficient to enable a greater number of these instruments to be procured for the present.

Ball cartridges, caliber .30, for the national matches.—As has been the custom in the past, proposals were sent out this year for the purchase of limited quantities of ball cartridges, caliber .30, and pistol ball cartridges, but no bids were submitted in response thereto. As the national matches are not to be held this year there was not the same incentive for manufacturers to bid as in other years.

Pistol blank cartridges.—A blank cartridge is being manufactured for the automatic pistol, caliber .45, model of 1911.

Small-arms powder.—Small-arms powder manufactured at Picatinny Arsenal has been utilized in the manufacture of caliber .30 cartridges during the year with generally satisfactory results.

Small-arms ammunition wagons and packs.—The decision has been reached that until a suitable type of wagon for carrying small-arms ammunition shall have been adopted, the ordinary escort wagon

will be used for this purpose and will be supplied by the Quartermaster Corps in time of war. To supply ammunition from the wagon to the vicinity of the firing line there has been developed a small-arms ammunition pack of olive-drab duck, which is intended to be carried in the wagon and used on one of the mules taken from the team. The manufacture of these packs has been inaugurated by this department and they will be issued to the regular service in the near future.

New targets.—The adoption of the Small Arms Field Manual, 1913, provided for a number of new targets which have been supplied to the service.

Consideration was given to the trial of moving-picture targets, but on the report of Col. S. W. Miller, commandant of the School of Musketry, who investigated this matter abroad, it was decided that the installation of such targets would be too costly for the advantages to be gained.

Electrically operated targets.—Of the nine targets referred to in my last report as having been purchased, those intended for Fort Sam Houston have been delivered and installed, and those intended for Fort William McKinley have been delivered. No report has been received in regard to their operation. Those intended for Fort Sill have been delivered but not installed, due to the absence of troops and the selection of a range. The targets previously installed at Fort Myer and at the District of Columbia National Guard rifle range have operated fairly well during the year.

Cavalry equipment, model of 1912.—The new equipment for Cavalry troops, which embraces a saddle with movable side bars, bridle and horse equipment, including a saddle blanket, has been approved by the Secretary of War, and the manufacture of 3,200 complete sets thereof undertaken at the Rock Island Arsenal. It is expected that sufficient equipment will be completed in the near future to enable issue thereof to be made to one squadron of each of the six Cavalry regiments which have been designated by the Secretary of War. In reaching the conclusions which resulted in the adoption of the Cavalry equipment, model of 1912, the Cavalry Equipment Board not only compared the experimental equipment with that now in use by our Army, but also with the equipment employed by all military establishments of recognized standing, which were procured by exchange. In approving this equipment for issue, the Secretary of War decided that issue thereof would not be made to the Field Artillery troops. Saddles used by individually mounted men of Field Artillery in the English and French Armies have been procured for test by the Field Artillery Board, in comparison with the saddle recommended for adoption by the Cavalry Equipment Board. A bridle has recently been approved for issue to officers and individually mounted enlisted men of Field Artillery. The bits, curb chain, and other articles of hardware are the same as in the Cavalry bridle, model of 1912, but the Field Artillery bridle differs from that bridle in that it is not a halter bridle.

Stable blankets.—A number of stable and horse blankets were purchased and tested at Fort Myer, together with the horse covers manufactured by this department. The results of the tests were favorable to the horse covers manufactured by this department.

Infantry equipment, model of 1910.—The manufacture and purchase of Infantry equipments, model of 1910, have proceeded satisfactorily throughout the year. This equipment has now been issued or directed issued to all Infantry and Engineer troops of the Regular Army. The old equipments are being withdrawn from the troops and turned in to the various arsenals, with a view to placing them in reserve for use in case of emergency. The new model Infantry equipments have, in general, proven satisfactory, and the defects reported, which are of minor character only, have been corrected in the equipment now being manufactured. As a result of reports received from the Second Division at Texas City, Tex., the haversack, model of 1910, has been modified by making the suspenders of heavy webbing to prevent the wrinkling of the canvas suspenders used on the haversacks of earlier manufacture; the means of attaching the meat-can pouch have been strengthened, and the suspenders have been so made that broken snaps and buckles may more readily be replaced.

Dispatch cases, web.—As a result of the favorable reports received on the web dispatch cases which were procured and issued to the service for test in connection with the model of 1910 leather dispatch case, a number of web dispatch cases have been procured for sale or issue. The web dispatch case costs approximately $3.75; the leather about $6.

Fencing equipment.—Experiments to determine the advisability of adopting new outfits for fencing have been continued throughout the year, with favorable results. The test of a bayonet known as the Baldwin fencing bayonet was completed at the School of Musketry during the year. Since that time this department has submitted for test other models of fencing bayonets, which it is thought compare favorably with the Baldwin; one of these other models is of the design used in the British Army, and a number thereof have been manufactured at the Springfield Armory and forwarded to the School of Musketry for test. But for the suspension of work at the School of Musketry, due to the concentration of the Second Division in Texas, it is believed greater progress would have been made toward the adoption of a satisfactory fencing equipment.

The Cavalry fencing equipment received consideration at the Mounted Service School during the year, and a number of recommendations have been made for improvements and changes, the most important being the adoption of a metal blade for fencing saber and the lightening of the mask, glove, and plastron.

ORDNANCE FIELD DEPOTS.

The matériel stored in the ordnance field depots is inspected from time to time, and all articles contained therein are kept in condition for immediate issue. There is still a considerable shortage of Field Artillery matériel and ammunition for these depots. The recent prompt issue of Division Field Ordnance Depot No. 1 from the New York Arsenal was in marked contrast with the delays incident to such issues where depots have not been fully organized and largely supplied in accordance with the war plans of the department in time of peace.

GUNS AND MORTARS.

Installed armament.—Reports from armament officers and from artillery sources indicate that the guns and mortars mounted in the seacoast fortifications have been maintained in a satisfactory state of efficiency during the year. No serious defects were developed during the extensive firings in connection with the annual target practice of the troops of the regular service and of the Organized Militia.

Erosion.—A number of 10-inch and 12-inch guns which had reached the limit of their accuracy life from erosion were withdrawn from service and restored to satisfactory condition by boring them out and adding a lining tube. With a view to developing a steel that would be more resistant to erosion than the types now in use, a series of firings were made, using small-arms barrels of various compositions. In order to determine whether it had any direct relation to resistance to erosion the melting point of each of the steels concerned was carefully determined. The results have not been conclusive, but tend to indicate that the gun steel now in use is more resistant to erosion than are any of the alloy steels.

Gun construction.—The gun factory at the Watervliet Arsenal has been fully occupied during the past year, two and three shifts being employed on most of the work. By thus operating the department has been able to manufacture all its own guns for which appropriations were made, and in addition to do considerable work for the Navy Department. The wire-wrapped type of construction employed for all Army guns and mortars of 6-inch caliber and greater has continued to give excellent satisfaction, both as regards cost and efficiency.

Completion and test of 14-inch guns.—During the past year there have been completed and successfully tested a number of 14-inch guns of greater length and power than those of the type referred to in my last annual report. Some of the newer type are to be mounted in the turrets to be erected as a part of the defenses of Manila Bay, and others in the defenses of the Panama Canal. These guns fire a 1,660-pound projectile, with a muzzle velocity of 2,250 feet per second. The maximum range is about 18,000 yards, or slightly more than 10 miles. The theoretical penetration, in best-quality armor, with normal impact, is 20.5 inches at the muzzle and 11.2 inches at 15,000 yards.

Twelve-inch mortars, model of 1912.—Twenty-three of the latest type of 12-inch mortars, model of 1912, were completed during the year and issued to the Panama Canal fortifications. These are more powerful than those of the earlier type and have a maximum range of slightly more than 11 miles.

Specifications for gun steel.—Upon the recommendation of the joint Army and Navy Board on Gun Forgings the specifications for gun steel were revised during the year.

Gun-forging plant at Watertown Arsenal.—The installation of an 800-ton forging press at the Watertown Arsenal, referred to in my last annual report as being in progress, has been completed, and the press put into successful operation in the manufacture of mobile artillery gun forgings. It is expected to manufacture during the coming year such of the gun forgings needed as are within the capacity of the

plant. This work will enable the department to secure accurate data concerning the cost of manufacture, and will probably result in lowering the prices for such material when procured from private manufacturers.

Spare parts for cannon.—A material increase has been authorized in the number of spare parts issued for seacoast cannon in fortifications at considerable distances from a source of supply. This increase formerly applied only to fortifications in the insular possessions and in Panama, but has now been extended to include those on the Pacific coast of continental United States.

New design of mobile guns.—A new type 3-inch field gun and a new type 3.8-inch field howitzer have been developed, especially designed for use with the split-trail types of mounts now undergoing test, in order to permit of wider traverse of the guns at high angles of elevation. A drop block has been substituted for the swinging type of breech block heretofore used. In order to shorten the time required in loading, the mechanisms are made to operate semiautomatically; that is, so that the breech block opens during counterrecoil of the piece and closes by spring power as soon as the round of ammunition has been inserted.

A new type of 4.7-inch howitzer, of unusually great power, has been developed for use in the defenses of the Panama Canal. It is of wire-wrapped construction and fires a 60-pound projectile, with a muzzle velocity of 1,300 feet per second, and a maximum range of 10,000 yards.

SMOKELESS POWDER.

Regulations for care and test of smokeless powder.—The regulations concerning the care and test of smokeless powder in service and in store at ordnance establishments, referred to in my last annual report as having been published, have proven entirely satisfactory in insuring the proper care and requisite tests of that material.

Stability life of smokeless powder.—The stability life of the service smokeless powder, in so far as the absence of any tendency to spontaneous combustion is concerned, has continued to be entirely satisfactory. As a precautionary measure powders manufactured prior to the introduction of the stabilizing agent used since 1908 are being withdrawn from the insular possessions as rapidly as new powders become available. Powders so withdrawn are utilized in target practice in continental United States, or reworked into new powders at the Picatinny Arsenal.

Elimination of old lots of smokeless powder.—The elimination from service of old lots of smokeless powder has been systematically undertaken by transfers between fortifications, and by instructions to the effect that the oldest powders shall first be expended in target practice. It is further the aim of the department that all powder of each caliber at a fortification shall be, if practicable, of the same lot, or of about the same time of manufacture. To insure that the powder in service will give approximately the prescribed muzzle velocity, a retest, with a view to reestablishment of weight of charge, has been made for practically all lots for which velocities materially differing from the standard have been indicated by the target practice records of the past four years.

Improvements in smokeless powder.—The Joint Army and Navy Board on Smokeless Powder, consisting of officers of this department and of the Navy Bureau of Ordnance, has continued its work during the year, with a view to improving the quality and reducing the cost of manufacture of smokeless powder. No important change has been made in the specifications during the year, although a few changes of minor importance have been adopted in accordance with the recommendations of the board. The department has given increased attention to investigation and tests, with a view to improving the ballistic uniformity of the service smokeless powder and determining the cause of the high pressures that have occasionally occurred at the proving ground and at service target practice.

Manufacture of smokeless powder.—To meet the increased demand thrown upon it by the provisions of the current fortification and Army appropriation acts which require, in effect, that practically all the smokeless powder appropriated for in these acts shall be manufactured at the Picatinny Arsenal, the plant at that establishment is being increased by the erection of another dry house and the installation of additional machinery pertaining to the several operations involved in the work of manufacture. During the past year the plant has been operated at something more than half its full capacity, which condition is expected to continue during the current year. On account of the isolated location of the powder factory and the impracticability of securing satisfactory train service, considerable difficulty was experienced in obtaining workmen for a second shift. A total of 1,255,000 pounds of smokeless powder were manufactured during the year.

Notwithstanding the increased cost of labor, the factory cost of smokeless powder was reduced by approximately 6 per cent, in comparison with that for the preceding year. This reduction of cost is due to improvements of methods and increased output.

Exclusive Government manufacture of smokeless powder.—Due to the restrictions contained in the last two acts making appropriations for fortifications, this department has been unable to place with private manufacturers, since December, 1912, an order for the manufacture of smokeless powder for cannon. No order has been so placed for smokeless powder for small arms during the past year, and only a small quantity was ordered during the preceding year. It is my opinion, as stated in my last annual report and in my hearings before the committees of Congress in connection with the current fortification act, that it would be a serious mistake for the Government to entirely abandon the practice of procuring a portion of its supply of smokeless powder from private manufacturers. The larger of these manufacturers, being also producers of a variety of sporting powders and other explosives, such as nitroglycerin, dynamite, blasting powder, etc., extensively used for commercial purposes, have many plants and are able to maintain extensive research laboratories, and train a large force of chemists of broad experience. The most promising of such chemists are transferred from time to time from the several plants to the general laboratories, thereby insuring a high type of skilled men for the research work. In the absence of such a source of supply this department has experienced great difficulty in securing chemists of the requisite skill and experi-

ence as leaders in its work, which condition, apparently, is of a permanent character. The undersigned believes that the wisest policy is for Congress to fix, as it has done, what it considers a reasonable price to be paid for smokeless powder, and, with that restriction, to authorize the department to give private manufacturers a fair share of the work of manufacture.

Plant for reworking smokeless powder.—There has been installed at the Picatinny Arsenal and put into successful operation a plant which will enable the department to rework into new smokeless powder any which has become so old as to be unsatisfactory for continued storage. The operation involves grinding up the old powder while immersed in water, repurifying the guncotton thus obtained, and remaking it into new powder by the usual process. This work can be done at about one-half the cost of new powder. There is good reason to believe that the quality of the product thus secured is equal to that of powder manufactured entirely from new material.

Smokeless maneuver powder.—There has been developed at the Picatinny Arsenal and issued to the service for trial a smokeless maneuver powder intended for use in firing blank cartridges from field guns, in lieu of the black powder heretofore used. The new type has the advantage of not disclosing the position of batteries during maneuvers, thus more nearly simulating war conditions.

High-explosive plant.—The small plant heretofore in operation at the Picatinny Arsenal for the manufacture of the high explosive used in filling armor-piercing projectiles has been replaced during the year by a larger and better equipped plant, which is now in successful operation. The capacity of the new plant is sufficient to meet the expected needs of the department for this material and, to some extent, for other explosives.

Nitric-acid plant.—Due to the continued low price being quoted by private manufacturers for the nitric acid needed in the manufacture of smokeless powder, the department has not found it necessary to complete the installation of the proposed plant at the Picatinny Arsenal, the equipment for which is on hand.

AMMUNITION FOR CANNON.

Reserve ammunition.—The supply of reserve ammunition for seacoast guns has been systematically gone over with a view to insuring that all necessary components constituting complete rounds are on hand at fortifications as contemplated, and that all such ammunition held at ordnance establishments is in condition for immediate issue as complete rounds. The most important change from past policy in this respect is in putting up into charges the powder to be held at ordnance establishments instead of storing it in bulk.

Cartons for bursting charges.—With a view to facilitating the addition of bursting charges to seacoast projectiles there has been developed a system of papier-mâché cartons into which the high explosive can be compressed and readily loaded into the projectile. Any space remaining around the carton is filled by the addition of paraffine. On account of the cost of the cartons and the expense of filling them, it is probable that they will not be used except possibly for bursting charges of projectiles to be retained in store at ordnance establishments for forwarding to fortifications when needed.

Projectiles.—There are under manufacture, or about to be ordered, from funds under current appropriations, sufficient long-pointed caps for equipping all the armor-piercing projectiles on hand in the insular possessions and on the Pacific coast of continental United States. These caps, by lessening the air resistance in flight, serve to keep up the velocity, and thus increase the extreme range and the armor penetration of projectiles.

Projectile plant.—The plant referred to in my last report as having been installed at the Watertown Arsenal for the manufacture of armor-piercing and deck-piercing projectiles has been in successful operation throughout the year in the manufacture of deck-piercing projectiles for 12-inch mortars. The product has been entirely satisfactory as to quality, while the cost has been considerably below the prices heretofore paid private manufacturers.

Manufacturing facilities, mobile-artillery ammunition.—During the past year the facilities for the manufacture of mobile-artillery ammunition at the Frankford Arsenal have been materially increased, and a further increase is being made with funds carried in current appropriation acts. This increase is needed to meet the expressed wishes of Congress that all, or nearly all, mobile-artillery ammunition appropriated for shall be manufactured in Government plants, the cost of such manufacture having been materially less than contract prices. Due to the great increase in current appropriations for such ammunition, the Frankford Arsenal plant is being put on a three-shift basis of operation, as rapidly as the necessary equipment and workmen can be secured for the purpose. The facilities of other ordnance establishments are also being utilized for this work, so far as practicable.

Overhauling older types of ammunition.—During the past year a large amount of ammunition pertaining to older types of mobile artillery has been overhauled and issued for use with such cannon assigned to land defense of seacoast fortifications. New range tables and methods of applying modern fuzes to this ammunition have been developed in connection with this work. There has thus been secured, at moderate cost, a supply of ammunition of fairly satisfactory quality for the purpose for which intended.

All of the old type 2.95-inch and 3-inch shrapnel previously on hand have now been modified or expended, so that only the latest types remain in service.

High-explosive shrapnel.—The type of high-explosive shrapnel for 3-inch field gun, referred to in my last report as under development, has been perfected and is under manufacture in quantity for issue to the service. By doing the work of both high-explosive shell and common shrapnel, its use simplifies the ammunition supply. It has the further advantage of facilitating the observation of fire in the destructive action of the detached head against shielded batteries.

Shrapnel for land defense guns.—During the past year a supply of shrapnel has been manufactured and issued for use in the 6-inch seacoast guns assigned to land defense purposes. A supply for the 4.72-inch and 5-inch seacoast guns assigned to such work was provided by overhauling and re-fuzing shrapnel already on hand.

Increasing the angle of fall of mobile-artillery projectiles.—Firings were made from a 3-inch and a 4.7-inch field gun, using projec-

tiles having a steel disk of about the diameter of the projectile attached to the head, near the point, with a view to increasing the air resistance encountered in flight, and thus increasing the angle of fall when more curved fire is considered desirable. While a material increase in the angles of fall was thereby secured, they were not nearly as great as those obtained with the service howitzers. In view of this fact, and also as the proposed device was not readily applicable to shrapnel, the Field Artillery Board recommended that it be not adopted for service.

FUZES.

Modernizing fuzes.—The work of modernizing all seacoast detonating fuzes has been practically brought to completion, leaving no type in service which is not substantially equal to the latest.

Development of longer-burning fuze.—There has been developed for use with shrapnel for field mortars, and for howitzers having an unusually long time of flight, a combination of fuze the time train of which will burn for 45 seconds, this being approximately 50 per cent longer than that of any fuze previously in use.

Periodical test of fuzes in service.—Instructions have been given for making periodical tests of all lots of fuzes in service pertaining to seacoast ammunition, with a view to promptly detecting any evidence of deterioration and to insuring their satisfactory condition at all times. There has recently been developed an improved type of primer for quick-acting fuzes, which type is expected to be free from the deterioration which has sometimes occurred with the older type after a number of years' storage.

AUTOMATIC MACHINE RIFLES.

The greater use of and experience with the automatic machine rifle, caliber .30, model of 1909, has resulted in overcoming the majority of difficulties first experienced with this new arm.

During the past year a competitive test of automatic machine rifles was held at the Springfield Armory. In this test six different machine rifles were entered, representing the leading machine-gun manufacturers of the world. As the result of this test one gun, in addition to the service model automatic machine rifle, caliber .30, model of 1909, was recommended for extensive field test. These tests are now being carried on near Texas City by a board consisting of Infantry, Cavalry, Field Artillery, and Ordnance officers.

Extended use of the automatic machine rifle indicates the necessity for a tripod for this gun. These tripods will be supplied as soon as a decision shall have been reached by the machine-gun board as to the type desired.

MOUNTAIN ARTILLERY.

New 3 inch mountain howitzer matériel for one battery has been issued to the service and is now undergoing a service test.

PACK OUTFITS.

As the result of extended tests which have been carried on during the past several years, the type of pack outfit for mountain batteries has been settled in the adoption of the American type pack, or

aparejo. For machine-gun and other organizations using pack outfits for which skilled packers will not be available it is believed to be desirable to obtain a pack outfit which will be more easily fitted to the pack mules than the aparejo. Experiments along this line will be continued.

FIELD ARTILLERY MATÉRIEL.

The general trend and design of Field Artillery matériel is in the development of carriages which will permit of wide traverse on the carriage and increased elevation. During the past year the department, following generally the French model, has designed and manufactured a 3-inch field gun and carriage, and a 3.8-inch howitzer and carriage, which will permit of a traverse of 45° without moving the trail of the carriage, and elevations of approximately 50°.

New caissons have been designed for all calibers of guns permitting the ammunition to be removed from the front instead of the rear, in accordance with the recommendations of the Field Artillery Board.

An observation ladder for Field Artillery, which can be attached to one of the caissons of the battery, has been designed. If the type ladder is found satisfactory in service test, all batteries will be so equipped.

During the past year self-contained horizontal base range finders have been purchased for a number of field batteries. If the use of these range finders in service indicates that the type decided upon is satisfactory, all batteries will be so equipped.

SUPPLY OF MOBILE ARTILLERY.

In my last annual report it was stated that the supply of this class of equipment is less satisfactory than that of any other furnished by the Ordnance Department, except the ammunition for Field Artillery. It was also stated that it was hoped a larger annual appropriation might be made so as to enable the department to provide a sufficient amount within a reasonable time.

The action of Congress in providing a larger appropriation this year has been most gratifying. At the rate of appropriations made for the last year it would have taken until 1925 to complete the project for Field Artillery guns and carriages, as approved by the Secretary of War; while at the rate of appropriations as made this year this same project will be completed about 1920.

The condition of the supply of reserve ammunition for Field Artillery has also improved, due to the more liberal appropriations made by Congress during the year. With the small appropriation made last year for ammunition, if continued, it would have taken until the year 1929 to provide a reasonable amount of ammunition. At the rate of the appropriations as made for this year the desired reserve will be accumulated about 1919.

COAST ARTILLERY PRACTICE.

Behavior of matériel.—Target practice reports received during the year indicate generally satisfactory behavior of the ordnance matériel used in this work. There were indications that three or four

unexpectedly high pressures were encountered in the firings, but none of these seriously damaged the gun or mount. Investigation as to the probable cause is in progress. Continued study is being made with a view to determining the cause of such variations in muzzle velocity as ordinarily occur at target practice. These investigations include the effect of temperature of storage, absorption of moisture in blending, method of ignition, and a number of other features.

Broad-banded projectiles.—The general use of broad-banded projectiles in service has continued to prolong the accuracy life of worn cannon, as was predicted from proving-ground results.

Increased ranges for seacoast guns.—In view of a tendency to the use of increased ranges from ships' guns, firings have recently been made from a 12-inch seacoast gun, using a reduced weight of projectile, with a view to increasing the maximum range of the gun. The projectiles employed in these firings were the standard 700-pound long-pointed type used with mortars. A range of slightly more than 20,000 yards was thus secured from a service 12-inch gun mounted on a service barbette carriage. This result indicates that increased ranges, up to any reasonable limit, can readily be secured by supplying lighter-weight projectiles. This, however, necessarily involves the disadvantage of reduction in the weight of the bursting charge or in the strength of the projectile for armor penetration.

FIELD ARTILLERY PRACTICE.

Behavior of matériel.—Target-practice reports submitted during the year indicate that the Field Artillery guns, carriages, and ammunition are giving general satisfaction.

School of fire.—As stated in my last report, the appropriations for Field Artillery practice have been sufficient to permit the supply of approximately 60 rounds of ammunition for expenditure by each officer taking the course of instruction at the School of Fire for Field Artillery. As this quantity of ammunition has been found inadequate for reasonable instruction, an effort was made to secure an increase of $10,000 in the current appropriation in order that approximately 40 additional rounds per officer might be supplied. This effort was not successful, but, in view of the importance of the subject, it will be renewed at the next session of Congress.

Fuze setters.—Much attention has been devoted during the past year to the development of an improved type of bracket fuze setter for 3-inch field guns, complaint having been made that the present type is not sufficiently rapid in operation to adequately meet the needs of the service under certain conditions involving rapid firing. With a view to accomplishing the desired result, the best obtainable type is being procured from abroad, for examination, and several improved types of Frankford Arsenal manufacture have been forwarded to the Field Artillery Board, for test.

Jump of 3-inch field guns.—Tests were made to determine whether the jump of the 3-inch field gun is materially affected by the position of the trail with respect to a hole in the ground, or by the presence of a parapet close underneath the muzzle. The results indicate that neither of these factors materially affects the jump. Tests were also made to determine whether the amount of lost motion in the carriage

affects the jump. These tests showed conclusively that the jump is less than the minimum lost motion mechanically possible.

New-type mobile artillery targets.—The new types of mobile artillery targets, referred to in my last report as being under manufacture, have since been completed and issued to the service for use during the work of the current year. These targets are made to closely represent such as would ordinarily be seen on the field of battle, and are expected to greatly increase the interest and value of the annual target practice.

ARMY POWDER FACTORY.

The Army Powder Factory is located at the Picatinny Arsenal, which is also the principal depot of the department for the storage and issue of powder, ammunition, and high explosives.

Approximately 1,100,000 pounds of cannon powder and 125,000 pounds of caliber .30 powder were manufactured during the year. This was about two and one-fourth times as much as was manufactured during the preceding year. As a result of this increased output, the cost of cannon powder was reduced to a little less than 33 cents per pound and of caliber .30 powder to about 43 cents per pound.

A little over 2,000,000 pounds of cannon powder and approximately 360,000 pounds of caliber .30 powder have been manufactured since the factory was put into operation. The cost of manufacturing this powder has been approximately $1,350,000, including fire losses. If it had been procured by contract its cost would have been approximately $2,050,000. The saving, therefore, has been about $700,000.

A plant for reworking old powders, having a capacity of about 1,500 pounds per day of 24 hours, has been completed recently, and the plant for manufacturing high explosives for projectiles, having a capacity of about 1,000 pounds per day of 24 hours, has been put into operation.

MATÉRIEL FOR MILITIA ARMORIES.

A small number of dummy 12-inch mortars and dummy 10-inch guns have been completed, carriages for which are under manufacture.

SEACOAST CARRIAGES.

Issue of seacoast guns and carriages to the insular possessions has been continued during the past year. The manufacture of the 14-inch turrets for Manila Bay has practically been completed, and the work of mounting them will be inaugurated in the near future. The manufacture of the guns and carriages for the fortifications of San Pedro has been undertaken.

FORTIFICATION OF THE PANAMA CANAL.

The issue of a large part of the armament for the fortifications of the Canal Zone has been continued during the past year and the greater part will be installed before the end of the calender year.

TEN-INCH EMERY DISAPPEARING CARRIAGE.

The status of the work on this carriage is the same as when my last annual report was submitted.

MAINTENANCE OF THE ARMAMENT OF FORTIFICATIONS.

This work has proceeded satisfactorily during the year, and service mortars, guns, and carriages have been maintained in a good state of efficiency.

IMPROVEMENTS IN INSTALLED SEACOAST GUNS AND CARRIAGES.

The modification of the seacoast matériel of the older types is very desirable, since by the expenditure of a small percentage of their cost the carriages can be made almost equal in efficiency to the latest models. The benefit that would accrue is very large compared with the cost. Those carriages which have to date been modified are giving excellent service. Complete designs are on hand for matériel which can not now be modified on account of lack of funds. As these carriages can be used in their present condition, the necessity for their modification is not as urgent as the need for increasing the reserve of Field Artillery matériel. The estimates for the alteration of seacoast armament have therefore been reduced to a minimum, while the estimates for Field Artillery have been maintained. The alteration of the 15-pounder balanced-pillar carriages to provide them with new telescopic sights and improved elevating and traversing mechanisms has been continued. The work of equipping the 12-inch barbette carriages with more satisfactory telescopic sights and firing circuits has been inaugurated. Many of the older carriages are provided with a very inferior telescopic sight which it is essential should be replaced at an early date. This work will be carried on as rapidly as funds available will permit.

During the past year a hand-operated alternating-current firing magneto has been developed and a sufficient number for all batteries now being used in target practice have been manufactured. If this type proves satisfactory in service all carriages will be equipped therewith.

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Very respectfully,

WILLIAM CROZIER,
Brigadier General, Chief of Ordnance.

The SECRETARY OF WAR.

REPORT OF THE CHIEF SIGNAL OFFICER.

WAR DEPARTMENT,
OFFICE OF THE CHIEF SIGNAL OFFICER,
Washington, October 3, 1914.

SIR: I have the honor to submit my annual report for the fiscal year ended June 30, 1914. It covers the operations of the Signal Corps of the Army in Alaska, the Philippine Islands, Panama, Ha-

waii, the United States, and the expeditionary force to Mexico, and some account is taken of events occurring between June 30, 1914, and the date of this report.

Before proceeding to outline in detail the work of the Signal Corps during the past year, I invite your attention to several important matters in relation to the Corps and its field of work. These are as follows:

The creation of the aviation section of the Signal Corps by act of Congress; the development of radiotelegraphy; the authorization of the use of the two-arm semaphore flag system for all branches of the service; changes in the organization of field and telegraph companies, resulting from the issue of "Tables of organization;" changes pertaining to the installation of electrical fire-control equipment and the transfer of the Alaskan telegraph system.

AVIATION—GENERAL.

A most important measure affecting not only the Signal Corps but the Army in general was authorized by the act of Congress approved July 18, 1914, to increase the efficiency of the aviation service of the Army, and for other purposes. Under this act the Signal Corps is increased by the addition of an aviation section, in strength not to exceed 60 officers and 260 enlisted men. At present the strength of the aviation section of the Signal Corps under this act is 24 officers, 115 enlisted men, and 7 civilian employees, with several applications for this service under consideration.

The importance of this measure, the effect of which is to create a flying corps for the Army, can not be exaggerated, for existing conditions show that whatever may be the conclusions drawn as to the use of air craft for offensive purposes in warfare, and as to the importance of the dirigible, there can be no doubt of the value of the aeroplane in rapid and long-range reconnaissance work, and of its power to secure, and to transmit by radio, visual signals, or direct flight information of importance to armies in the field. So true is this that it seems probable the aeroplane and, to some smaller degree, all air craft have altered, not the principles of strategy, which are immutable, but the theory and application of grand tactics. It now appears that the actual game of war is played openly with cards laid on the table, and opportunity no longer is given for inference as to concealed movements or for surprise, perhaps not even for the exercise of the high military quality of anticipation of the unseen movements of the adversary. It is now recognized that the possibility of brilliant and unexpected blows and surprises by enterprising commanders has been largely eliminated from modern operations of war by the information supplied by aviators. It is proved that the modern air craft lays open to the field of mental view the whole of the immediate theater of war and that the commander's view reaches far beyond the limits of actual vision of troops. The air craft sees and indicates the larger operations of war and points out to the slowly moving troops on the ground not only the points to be attacked or defended, but to reconnaissance troops, especially the cavalry, the objective to be sought, the localities to be searched, and the character of information to be obtained.

By no means does the air craft supersede, nor can it ever supersede, detailed information which can be acquired only by close observation, by contact, and by development of the enemy's forces and positions. This is the work of the troops in the field; but the air craft does indicate to either commander the character, location, and general disposition of opposing forces.

Not only is the aeroplane invaluable in locating the position of the enemy, but it has especial value to a commander in finding his own troops, in keeping him informed when movements are taking place, of the position of his flanks and center, his outposts, his cavalry, of the positions attained by any detached body—in short, of keeping him constantly in touch with the locations and movements of all of his troops under the changing conditions of war.

This much is proved; but it does not follow that the air craft curtails the work of reconnaissance of other arms of the service, the infantry, the signal corps, and, more especially, the cavalry. On the contrary, it extends the usefulness and power of all, for if the general field of reconnaissance is outlined, it is obvious that the cavalry or infantry can more readily strike its objective and more quickly and accurately obtain information regarding any particular point than if obliged unseeingly to search the whole field of operations for locations and forces regarding which an intimate knowledge is desired. In other words, by aid of air craft, and more especially of the aeroplane, a reconnaissance by troops moves less in the dark, knows better what to look for and learn in detail, and loses less time and effort in accomplishing the object sought. No move of concentration from flank or center, no envelopment of a wing nor reenforcement of a weak position should remain unknown to the adversary in the case where he possesses a thoroughly efficient flying corps. It would seem, therefore, that not only has the power of all reconnaissance troops been increased by the air craft, but the need and importance of the cavalry in reconnaissance work has not been lessened, but, on the contrary, has been greatly increased by the aeroplane.

In addition to the influence now exerted by air craft on grand operations, events now appear to show that its value in more detailed operations is great and may increase in the future to enormous proportions. It is now well established that the accuracy, value, and power in warfare of field and siege artillery have been greatly increased by this agency, and it may almost be said that guns are fought by means of the eyes of the aviator. It should be self-evident that the same is true of guns of the seacoast and land fortifications. So clearly has this been shown that there now appears a noticeable change in artillery tactics. Instead of the old-fashioned system of range finding by experiment, the exact range is now found with the help of aeroplanes. No doubt artillery fire direction has been enormously increased in accuracy by the aeroplane, and infantry fire largely improved in efficiency by the same means.

But besides influence of this character the aeroplane has undoubted use in the finding of concealed positions, in the location of ships at sea or at anchor within defenses, possibly in the detection of submarine mines, and certainly in the enormous increase of efficiency given to fire and in many other details of observation.

But the useful, approved, and most important work of air craft is probably to be found chiefly in reconnaissance and the col-

lection and transmission of information in the theater of military operations; for this reason aviation must be reckoned as a vastly important branch of the Signal Corps of the Army. The use of air craft for these purposes can not be open to the charge of inhumanity, and cruelty. But as to the service and value of air craft in offense, much doubt remains, except where an overhead attack upon troops can be made effective—a condition that probably does not often arise, although many isolated instances of its value in attack are cited. When used in general destructive work against noncombatants, dislike to this method of attack must always exist. A fire sown broadcast upon the earth or employed under conditions which make specific aim useless is at least distasteful. But beside this feeling, it now appears that as a weapon capable of injuring an enemy by the dropping of bombs and other missiles, little of importance has been proved. In reality little is known of this power of air craft, though much is guessed and more feared. It seems probable, however, to judge from existing conditions, that the effect is largely moral, and that physical results heretofore obtained from this method of attack have been far too meager to warrant the cost, effort, and risk called upon to produce them.

The proved efficiency of fire of small arms and guns from the ground at air craft operating at elevations below 5,000 feet under usual weather conditions compels flying at such great altitudes, especially by the dirigible, that the reaching of the selected object by falling projectiles becomes improbable.[1] Fog and darkness, it is true, hide the air craft and make approach easier, but, generally, they also hide the objective and the attacks heretofore made have been impotent or so wildly irregular as to harm anything rather than the object sought. This fact, it may be supposed, will discredit general attack by air craft and limit offense to such infrequent and exceptional conditions as will make preparation for it by the greater air craft—the dirigible, the dreadnought of the air—undesirable and too costly to be worth while at least for the present. Of the attack by aeroplane, however, although I believe its importance is exaggerated, it is admitted that it may prove useful at times, and may be resorted to against proper objectives when needed, if the aeroplanes are available. On the other hand, it may later be shown that aerial offensive flights, especially in conjunction with sea operations, may prove important; but it is useless to prophesy, and I believe the only safe conclusion at this time regarding the value of aerial offensive is the verdict, "not proven."

It may be said, however, that if the future shows that attack from the sky is effective and terrible, as may prove to be the case, it is evident that, like the rain, it must fall upon the just and upon the unjust, and it may be supposed will therefore become taboo to all civilized people; and forbidden at least by paper agreements. Be that as it may, in view of present conditions it appears that the use of air craft for attack alone does not warrant the expense of production of air craft for this purpose; and no recommendation for the construction and adoption of dirigibles on a large scale is made at the present time. The aeroplane should continue to be

[1] It has been calculated that the service bullet, when fired perpendicularly, reaches a height of between 8,000 and 9,000 feet, with a velocity at its start of about 2,500 feet per second and returns at between 400 and 500 feet per second.

our main reliance for aerial work at present, and the dirigible as a service unit may well be placed on the waiting list.

But it should be noted and recalled later when economic conditions are more favorable, that both the aeroplane and the dirigible have proved successful in coast patrol, and will be equally so for frontier guard purposes. In this service the dirigible, especially of the smaller type, will be the more valuable machine, as from its leisurely flight, its power to keep the air at night and to use the searchlight, and especially on account of its ability to hover and to examine carefully the world beneath, it may become useful as a border patrol when freed from the danger of gunfire and from hostile aeroplane attack. But for the present it is believed that the Army should rely upon the aeroplane and the hydroaeroplane for the patrol of seacoast and frontier, and for use in its island possessions and exposed positions. One or two dirigibles, if of American manufacture and design, might well be purchased when money is available for experimental purposes and to encourage our manufacturers in endeavor along this line of work; but I am not yet prepared to recommend that the Army take up the dirigible seriously, as its value is still believed to be indeterminate; it requires the coordination of too many favorable conditions to insure success, and its cost is comparatively great.[1] Should large appropriations be made in the future for the aviation service the question of the dirigible will appear in another light, but the time is not thought opportune to pass beyond the experimental stage in regard to other air craft than the aeroplane. It is doubtful whether the dirigible is worth its cost as an offensive machine, and for reconnaissance or defense it seems to be of far less value than the aeroplane. The dirigible is seemingly useless in defense against aeroplane or gunfire, and its attack may be safely left to the care of fire from the ground and to the aeroplane. The value of the dirigible as an observation station is obvious, and is no doubt very great under circumstances which prevent its destruction from below or by aeroplanes, but such conditions will probably rarely be met, and at present it is believed that the use of the dirigible in offense, defense, or reconnaissance is so limited that its adoption now for these purposes is not worth while. Its power of general destruction when no resistance is offered is tremendous, but for this work it is not believed that preparation should be made.

The continued development of the aeroplane in our service, by the encouragement of Congress in granting men and money to an extent warranted by the size of our Army, is strongly urged. To this goal the Signal Corps is bending its best efforts.

It is believed, however, that aeroplanes, their accessories, and the officers and men to use them should be liberally supplied.

As to the general type of aeroplane, a word must be said. In the United States we have for military purposes stood by the biplane, and events are now proving the wisdom of this attitude. It is believed that the present practice points strongly in favor of the biplane over the monoplane as a war machine. Indeed, there is little doubt that the types of machines now used by the aviation section of the Signal Corps are the best which are known for military purposes. I speak

[1] Probably in proportion of about 1 dirigible to 35 aeroplanes of the best type.

of types, not details, and refer especially to the biplane tractor. This Army machine has resulted from close study and experiment, and is the product of long trial, from which the conclusion is reached that the machine with propeller action—that is, the puller—is superior and safer than the pusher. Evidently, in case of accident with the former machine, the aviator falls above rather than under the weights. There is every reason to expect that the coming trials at San Diego will result in the evolution of a war aeroplane thoroughly suited to military use. It is probable that the size and power of aeroplanes will be enormously increased in the future.

The aeroplane is not in itself an expensive machine; but the cost as a whole will not be small. It has been noted that the wastage in aeroplanes, as shown by notes from abroad, is enormous; and with the appropriations for the aviation service of the Army it is especially desired to emphasize the fact that the life of an aeroplane is short and decreases rapidly with use, and especially with use in the field. Unlike the long service of ordinary war machines, such as rifles, field, and siege guns, the life of the aeroplane under the vicissitudes of actual operations is brief, like that of an insect, which it resembles. It follows that a sufficient supply of aeroplanes will be required upon the outbreak of hostilities for both Regular and Volunteers, and means should be provided for their rapid manufacture during war and for the accumulation of spare parts.

Once the type of military machine is determined it will be an easy and comparatively inexpensive matter to maintain a considerable reserve of parts in storage, with manufacturers or elsewhere, ready to be assembled as needed, should the policy of supplying a large reserve be deemed unwise.

The captive balloon, too, has its uses, but they are limited. Observation from captive balloons, which must necessarily be sent up some distance in the rear, is a poor substitute for the direct overhead reconnaissance obtainable from aeroplanes or dirigibles.

In addition it is asked that consideration be given by the War Department to the training of men of the National Guard in the work of aviation, and to the establishment of a reserve corps of flying men throughout the country.

In connection with the aviation work of the Signal Corps during the current year, it is gratifying for me to be able to quote from a report of the commanding officer, Signal Corps Aviation School, San Diego, Cal., that—

> At the present time (Sept. 24, 1914) aviation work in the Army is on a plane far above that which it occupied one year ago. Recent legislation has given the service a definite status and has already resulted in many benefits far in excess of the fondest hopes of those who are conducting this work. A very high-class commissioned and enlisted personnel is now being attracted to this work, and it is anticipated that there will be no trouble whatever in bringing the commissioned and enlisted personnel up to the authorized strength of 60 officers and 260 enlisted men. This, however, of necessity, will have to be done gradually in order to insure the maintaining of the high standard that has been set for both officers and men assigned to this duty.
>
> Another result of recent aviation legislation has been to offer much needed encouragement to manufacturers. Several of the factories now have representatives at the Signal Corps Aviation School in order to keep in close touch with our needs. The mutual benefit derived from this arrangement has been very marked, and it is undoubtedly very largely responsible for the rapid progress now being made.

In thus briefly outlining the importance of aviation I do so with the added purpose of inviting attention to the more detailed report of the status and work done in this connection by the Signal Corps of the Army during the past year, outlined in a later part of this report. (See p. 15.)

FIELD RADIOTELEGRAPHY.

Modern war is conducted by armies of such size and along fronts of such length that adequate means of electrical communication in the field has assumed immense importance. Wire lines of whatever variety are most difficult to maintain, and difficulties increase rapidly with the lengths of the lines involved. It follows that if radiotelegraphy can be made fairly dependable, this communication maintained without wires must be immeasurably superior in the field to any means which requires wires. That the modern portable radio apparatus is fairly dependable is believed to have been demonstrated. With the more powerful apparatus, selective tuning, and other devices for cutting out interference, it would be very difficult for an enemy to do more than delay the transmission of messages. It has been demonstrated in the case of the Adrianople station in the recent Balkan War that it is impossible to sucessfully interrupt radio communication.

In view of its extensive employment at present and its increasing utility in the future, this office is doing all possible, consistent with the funds at its disposal, to improve portable radio apparatus, and to devise types which are applicable to the different conditions of service.

For army or field army headquarters, up to which roads are assumed to be practicable, the heavier sets, such as the radio tractor set, will undoubtedly prove of greatest value. Forward of the field army headquarters, as far as they can be utilized, automobile sets, wagon sets, or the cart sets, as may seem best, can generally be employed. In the combat zone, and particularly with the cavalry, it is probable that the pack sets will prove most useful. While their ranges are small, they are well within the ordinary tactical requirements, and can be most usefully employed along the moving divisional columns by maintaining continuous communication with the divisional cavalry pack sets, and probably also with pack sets of adjacent divisions or with these sets assigned to supply trains, and can well be used when the theater of operations is small. Within reasonable limits, it is entirely practicable to so tune these sets that a number of them may operate in the same vicinity without serious interference.

It may be asserted that by far the most useful and promising apparatus for maintaining military lines of information are the various types of portable radio sets, and with immediately prospective improvements it is believed that much of the objection that has been urged against them is capable of removal.

The following description of radiotelegraphic apparatus actually constructed or proposed and the employment thereof has been gone into somewhat fully because of the belief in the great rise in importance of this method of field communication.

As a result of the first successful employment of portable radio apparatus with our troops in Cuba in 1906, portable radio sets were introduced tentatively as part of the regular equipment of field companies of the Signal Corps. Continued experiments with them had so far developed their applications and limitations that in 1910 they were formally adopted as part of the regular equipment for field companies. The sets used were the earlier forms of the present pack sets, which have now been improved until in compactness, simplicity, and ruggedness they seem to be all that is desired. The range of these sets is about 25 miles, and they can be put in operation in one minute from the time the pack mules are halted preparatory to establishment of the station.

Several types of wagon sets have been purchased, all of them being of about 2 kilowatt power, and with the 80-foot jointed mast provided, have a range that is fairly dependable for upward of 200 miles. The constituent elements of this set are mounted in pintle-type wagons, the front element, or limber, of the wagon containing the engine and generator and the rear element, or caisson, the manipulating and receiving apparatus. They can be put in operation in about 20 minutes.

In the early part of this year, there was constructed under the immediate supervision of this office a 2-kilowatt radio set installed in an automobile consisting of a 2-ton truck chassis, on which was constructed a strong body for carrying the radio apparatus, etc. The generator is driven by a gear which can be engaged with the automobile engine shaft. The radio apparatus provided in this set was designed entirely by the Signal Corps experts, and has been most durable and satisfactory. This radio tractor set, as it has been called, was sent with the Field Artillery in June, 1914, and made the march from Fort Myer, Va., to Tobyhanna, Pa., about 250 miles. Throughout the 10-day march, the set was put in operation at each camping place, the time required for this being about 10 minutes. Daily communication was maintained with the naval radio station at Arlington, Va., or with the radio stations at New York and Philadelphia, throughout the march and during the encampment.

In response to a demand which appears to have arisen, this office is engaged in devising a cart radio set containing apparatus of 1 kilowatt power. The first model has already been constructed. This cart has the same running gear as the type K reel carts. With the apparatus mounted and driver on the seat, the weight is less than 1,600 pounds, which places it within the draft limit for two horses. It is expected, from experience with other sets of approximately the same power and mast used, to attain ranges of about 100 miles with this set.

In arranging for radio equipment for proposed expeditionary movements during the past year, an apparent need of portable radio equipment of larger types, suitable for installation in a railroad car, has arisen. Several possible solutions of this appear in the installation of apparatus, each unit of which is portable in a box car. It is entirely feasible to provide sets of from 2-kilowatt to 5-kilowatt power and the jointed mast, which can be quickly erected either by the car or near the set, installed in a temporary office adjacent to the railroad. Another solution of this matter is to have the tractor radio

set available for use either on a flat car or to have the same rolled off and used in temporary offices, as has just been described.

An interesting car installation of small size which was most usefully applied to conditions at Vera Cruz was the employment of the pack set with the hand generator on a passenger coach, over the roof of which was carried antenna wires supported by a short mast at each end of the car. With this apparatus the train which ran from Vera Cruz up to the break in the line was kept continually in communication with the Vera Cruz radio pack set station.

USE OF SEMAPHORE FLAG SYSTEM.

The use of semaphore flag kits by all organizations is now authorized. The Coast Artillery and Field Artillery have already been furnished full equipment, and issue of the authorized number to the Infantry, Cavalry, and Engineers will be made as soon as purchase of a sufficient number can be effected.

The two-arm semaphore flag which has been devised and approved for use in the Army is 18 inches square and is equally divided diagonally into a red and white field.

Signaling with the two-arm semaphore flags is so much desired by the Army at large that in spite of the addition of another code to those already authorized for signaling, this method has been adopted for general use on account of the rapidity and ease with which signals can be transmitted over the short distances usually required for line organizations. The demand having arisen for extension of this method beyond the Field Artillery, where it has been already in use, this office secured authority for its extension to all branches of the service. The new signal book provides in all essential particulars for an exact agreement with the signals used in the Navy, harmonizing all our visual signaling systems with those in vogue in the Navy. To facilitate practice with the flag signaling in international code and with the two-arm semaphore flags an extensive issue has been made of small code cards intended for pocket use, and large cards for hanging up in squad rooms and quarters, each having brief instructions, and pictorial representations of the different positions of the flags in the various signals.

SIGNAL CORPS FIELD ORGANIZATIONS.

Up to April, 1911, field and telegraph companies were organized in accordance with general orders from the War Department. The "Tables of organization," however, provides for field and telegraph battalions of Signal troops, and effects various changes in the organization of companies, chief of which is the provision for radio companies. This matter has been dealt with at more length in the body of this report.

CHANGES IN THE INSTALLATION OF FIRE-CONTROL ELECTRICAL EQUIPMENT.

Under changes in Army Regulations the Signal Corps has been relieved of the duty of installing electrical equipment connected with fortifications, this work being now performed by the Chief of Engineers in new fortifications or old fortifications not in the hands of Coast Artillery troops, and by the Coast Artillery Corps thereafter.

ALASKAN TELEGRAPH SYSTEM.

The Post Office Department has stated in a letter from the Postmaster General of April 11, 1914, that the time is not considered opportune for the transfer of the Washington-Alaska Military Cable and Telegraph System from the War Department to the Post Office Department on account of what appears to be a necessary delay and the necessity for providing for the funds for its care. From this it appears that the Postmaster General has found it impracticable to recommend the transfer of this system to his department for the present.

Under section 6 of "A bill to establish a commission form of government in the administration of national affairs in Alaska, and for other purposes," introduced in the Sixty-third Congress, second session, it is proposed to transfer this system to the Alaska Administrative Commission. This bill has received the approval of the War Department.

The operation and maintenance of the Alaskan system has for years been a heavy burden on the Signal Corps and other Army appropriations, as well as the personnel, requiring, as it does, a number of officers and nearly 200 enlisted men and civilian employees to conduct the business of the system efficiently and maintain it in operation. There is no sufficient military reason for continuing this system at its present cost to Army appropriations, as land communication with the garrisons in Alaska can be secured through Canadian and connecting lines. It is, therefore, again urged that the necessary legislation be enacted to relieve the Signal Corps of the operation of this system.

* * * * * * *

RECOMMENDATIONS.

The recommendation contained in the last annual report, that telegraph operators receive additional pay, is hereby renewed.

Attention is again urgently invited to the need for legislation authorizing an increase of the Signal Corps of the Army to a strength sufficient to perform thoroughly and economically the growing work imposed upon it by modern requirements for the collection and transmission of military information, and it is asked that immediate steps be taken to obtain suitable legislation to enable the Signal Corps to meet the increasing demands made upon it. Attention is invited to the recommendations regarding the increase of the Signal Corps contained in the report of the (then) Chief of Staff, dated April 22, 1914.

All of which is very respectfully submitted.

GEORGE P. SCRIVEN,
Brigadier General,
Chief Signal Officer of the Army.

The SECRETARY OF WAR.

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REPORT OF THE CHIEF OF COAST ARTILLERY.

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF STAFF,
COAST ARTILLERY DIVISION,
Washington, September 19, 1914.

SIR: I submit herewith my annual report on the personnel and matériel of the Coast Artillery Corps. There are included certain recommendations which result from the consideration of the work of the corps during the past year, and which would, it is believed, if put into operation, make for increased efficiency of the coast defenses.

The work of the personnel has been maintained at a high standard of efficiency, as is evidenced below under the headings "Instruction" and "Target practice." Attention is particularly invited to the efficiency of gun and mortar practice at night. This is the second year that night practice has been attempted, and it is encouraging to note that the efficiency of both day and night gun and mortar, as well as mine, practice has been fully maintained. The effort has been, in both practices, to assimilate the conditions as closely as possible to those that would be met with in war. The company "figure of merit," based on the result of the practices, has been somewhat modified during the past year with this end in view.

The last Congress appropriated $25,000 for the purchase of matériel necessary properly to install, in the coast defenses, the coast defense war game referred to in my last annual report. In a number of coast defenses the paraphernalia requisite for taking up this form of instruction has been so far provided as to enable the Coast Artillery officers to take it up as a part of the fall and winter indoor instruction. During the year it is expected that all coast defenses will be sufficiently equipped to prescribe general instruction throughout the Coast Artillery in the annual instruction order.

In addition to their normal and primary service with the seaward defense armament, the Coast Artillery troops have been called upon, in the recent past, for secondary service as Infantry in Texas and, during the past year, mobilization plans were again prepared for the possible use of Coast Artillery as Infantry. It should be recognized that with a small standing army like ours it may be necessary to call upon the Coast Artillery troops for service in such a secondary rôle, but it should be clearly understood that the Infantry training of Coast Artillery troops is greatly inferior to that of Regular Infantry, and they can not be included in any mobilization away from the coast forts in case of war with a maritime power. The Infantry field instruction is limited strictly to what is necessary to enable the troops acting as Infantry to know how properly to care for themselves in camp and on the march, and intelligently to discharge their duties connected with simple problems of outpost, advance and rear guard, and attack of small bodies. The work of the past year, within these restricted limits, shows a satisfactory standard of efficiency. It is desirable that Coast Artillery troops should be supplied with the full Infantry field equipment of the latest type.

Coast Artillery organization for both tactical and administrative needs involves the following units and subunits:

1. Coast Artillery districts: A group of coast defenses under the command of a general officer of the line of the Army who has had Coast Artillery experience.

2. Coast defense commands: A group of forts under the command of a senior field officer of Coast Artillery.

3. Coast forts: A group of coast batteries under the command of a junior field officer of Coast Artillery.

The advantages resulting from this chain of organization have been marked, especially so in regard to the placing of general officers of the line of the Army, who have had Coast Artillery experience, in command of Coast Artillery districts. The effect of this has been to cause greater uniformity of teamwork in serving the armament and a higher standard of efficiency of the matériel as evidenced in its improved condition and better functioning.

The principle of administering all of the forts in one locality as a unit of administration has continued with advantage, both with respect to the primary duty of the troops in the service of all elements of the seaward defense and also in connection with their secondary duties as Infantry. The system of unit administration in coast defenses has been criticized, because it was thought it would not lend itself conveniently to the mobilization of Coast Artillery for Infantry duties. It is interesting to know that in connection with the mobilization of Coast Artillery troops in the Coast Defenses of San Francisco and San Diego, Cal., for service along the Mexican border, it was found that the troops were more expeditiously mobilized and embarked for such work than would have been possible under the old system of multiple administration. It has been found also that in arranging for a general mobilization of troops for possible expeditionary service the unit system of administration has shown itself to be particularly adapted to emergency work of this kind. It may therefore be assumed that instead of any criticism lying at the door of the unit system of administration of coast defenses in the direction of mobilization for Infantry duty, the system lends itself to this particular feature of emergency work better than the old system.

The unit system of administration has developed the fact that in some cases barracks and quarters and other buildings which had heretofore been constructed for quartering Coast Artillery troops, and which had been temporarily abandoned because of the expense and the additional personnel required to maintain separate posts under the multiple administrative system, could with advantage be reoccupied and thereby permit the Coast Artillery troops to be quartered in closer proximity to the armament which they would serve in war, and, incidentally, by such occupancy prevent a deterioration of these public buildings.

An effort has been made during the past year particularly to develop efficiency in signaling between the different elements of coast defenses and between the coast defenses and the ships of our Navy passing the fortifications. All means of day and night signals have been used, and the facility with which messages are now transmitted between forts and from shore to sea is greater than ever before.

In connection with the training in signaling, it has become necessary to take up the instruction of enlisted men in radiotelegraphy.

This instruction has continued for two years, and now there are in the Coast Artillery personnel quite a number of competent radio-telegraphers. With the development of this kind of telegraphy in commercial life, it will be impossible to hold these men in the service. The men who have been trained for this service are, as a rule, privates, it being impracticable to spare noncommissioned officers from their combatant duties for such collateral work. In order to retain these men it is urged that Congress authorize the grade of radio sergeant, with the rank, pay, and allowances of a fireman, Coast Artillery Corps, and that one relief of three radio sergeants be authorized for each coast defense command.

All of the defensive projects for the coasts of the United States and its over-sea possessions which have heretofore been approved have been carried to completion, with the exception of the defenses of Los Angeles, Cal., certain batteries in Manila Bay, certain batteries in Hawaii, and certain batteries in the Canal Zone: these, except the first, are nearing completion. Work was begun during the year on the defenses of Los Angeles and has progressed satisfactorily.

The only new fortifications for which appropriations are asked are those at Cape Henry, Va., for the defense of Chesapeake Bay, and certain additional mortar batteries at San Diego, Cal.

The question of the size and power of the guns required for the defense of Cape Henry has been brought up. In view of the fact that foreign warships of the latest design are to carry guns larger than 14 inches in caliber, and of the highest ballistic power, and in view of the fact that if the defenses at Cape Henry were subjected to a naval attack it would be possible for a naval enemy to bring many battleships carrying 8 to 12 large-caliber guns per ship and to concentrate their fire on the Cape Henry fortifications, and in view also of the fact that coast fortifications are not restricted by reason of weight or space in mounting and using effectively the largest caliber of guns and guns of the highest power, the Chief of Coast Artillery has recommended that the type gun for the Cape Henry fortifications be a 16-inch, 50-caliber gun. Otherwise, these fortifications may be subjected not only to a very much greater volume of fire than can be delivered by them, but also have the disadvantage of replying to that fire with guns of inferior power, both by reason of the diameter of the bore of the gun and by reason of its shorter length, it being understood that for any given diameter of bore the power of the gun is a direct function of its length.

The fortifications at the Atlantic and Pacific ends of the Panama Canal are practically completed, and it has been necessary to send Coast Artillery troops from the United States to the Canal Zone to man them. Six companies have already been ordered there, and it will be necessary to send six other companies during the next few months from the fortifications of the United States. It is proposed to take these companies from those forts in the United States from which they can best be spared.

In this connection attention is invited to the fact that when Congress, in 1907, fixed the number of Coast Artillery companies at 170, with a total force of 701 officers and 19,321 enlisted men, it was contemplated that this number was a meager requirement for the defenses of the United States alone. There have, up to the present

time, been abstracted from the coast line of the United States proper for manning over-sea fortifications the following:

	Companies.
For the Philippine Islands	11
For Hawaii	8
For the Panama Canal	6
Total	25

In the near future it will be necessary to take additional companies from the United States, making the total number taken—

	Companies.
For the Philippine Islands	24
For Hawaii	13
For Panama	12
Total	49

It was contemplated that 50 per cent of the personnel required for manning the gun and mortar batteries of the continental United States would be supplied by the Organized Militia of the coast States, but this expectation has not been realized. With every encouragement extended by the War Department to the militia authorities of the coast States to create Coast Artillery and to assist in the defense of their coast cities and harbors, the quota so far supplied is less than half what should be furnished. This is shown in detail under the head of "Personnel" below.

The shortage of Coast Artillery troops for the United States proper is, therefore, at the present time, so far below the requirements as to make it a matter deserving the serious consideration of Congress.

Having in mind the fact that the service of coast guns and mortars and mines is one of high technical requirement, and involves considerable time to train officers and enlisted men efficiently to handle the armament, range-finding equipment, searchlights, power and electrical equipment connected therewith, and having in mind also that on the outbreak of war the coast line immediately becomes the threatened line, and there is then no time available to train volunteers, it is recommended that legislation be enacted increasing the Coast Artillery Corps by the number of officers and enlisted men which have been and must be abstracted from the United States for over-sea service, and that hereafter, whenever new fortifications are provided by Congress, the manning body of such fortifications be included in the legislation which provides for the construction of such fortifications.

The taking of Coast Artillery troops for service in the Philippines, Hawaii, and Panama Canal Zone has produced exceptional difficulties in the matter of the care and preservation and maintenance in an efficient condition of the armament and accessory matériel, in that a number of master electricians, electrician sergeants, engineers, and firemen have been sent out of the United States and the work which they had been charged with has been added to that of those of the same grades left behind. The work thus thrown upon the latter is excessive. This tends to make them dissatisfied, and adds to the difficulty, which already exists, of keeping these high-grade men in the service. It has been found that after train-

ing men to be master electricians, engineers, and electrician sergeants, and instructing them in the management of electrical and steam-power plants, and in telephony, management of searchlights, and electric lighting, their services become attractive to commercial firms of the large cities, and temptations are offered to them to leave the service for employment by such firms. In some cases commercial firms have advanced the discharge purchase money to these men and the United States has lost their services. It is urgently recommended that the drafts made on this class of men for service in the insular and Panama fortifications be replaced. The number of these men who have been so assigned is as follows:

Master electricians	6
Engineers	5
Electrician sergeants	50
Master gunners	7
Firemen	3

In the near future it will be necessary to take additional specialists from the United States, making the total number taken:

Master electricians	7
Engineers	30
Electrician sergeants	66
Master gunners	8
Firemen	30

In February, 1913, the Chief of Coast Artillery was directed by the Chief of Staff to organize a battalion of siege artillery which should take up the matter of siege artillery instruction as its chief military objective. With that end in view, officers were carefully selected for the purpose of organizing, instructing, and training, in an efficient manner, a siege artillery battalion. While the Chief of Coast Artillery was originally opposed to it, every effort has been made by him to carry out the policy of the department in providing a really efficient battalion of this arm. The effort to do so, however, has not been successful. The matter was brought up very acutely by the Commanding General, Eastern Department, in an indorsement, dated June 2, 1913, as follows:

The department commander is of the opinion that handling of siege artillery is a proper function of the Field Artillery arm of the service, and not of the Coast Artillery arm, as the latter has all it can do in handling the coast defenses, with other incidental instruction prescribed. The entire Coast Artillery arm is not sufficient to furnish even one manning detail for the fortifications of the Atlantic and Gulf coasts. Fails to see how siege artillery instruction and formation of siege artillery units can be devolved upon Coast Artillery arm without interfering with its work. Field Artillery is very inadequate and should be at least doubled. Recommends steps be taken to increase Field Artillery immediately to the extent of at least providing for sufficient units of siege artillery, in order that Coast Artillery may be relieved from a makeshift for proper siege artillery.

The Chief of Coast Artillery, in the fifth indorsement on this same paper, expressed his views as follows:

1. The general views of the Chief of Coast Artillery in regard to the position of siege artillery in the organization of the land forces of the United States, and its relation to the arms of the service, are in harmony with those expressed by the department commander in the third indorsement (p. 3). It is believed that the organization of the land forces should provide clearly and definitely for an adequate siege artillery force.

2. At least one regimental unit of siege artillery should be provided for and kept fully equipped at all times, in order to keep abreast of the possibilities of siege artillery service in its highest degree of efficiency as practiced in the most

recent campaigns, and as followed in the training and instruction of first-class foreign military organizations.

3. It is believed that siege artillery service lends itself particularly to the conditions and opportunities, in so far as time and means are concerned, of the personnel of the Organized Militia. It is believed that it is better adapted to the conditions which obtain among the State forces, and promises a more satisfactory measure of war efficiency than either Field or Coast Artillery. The difficulties which have heretofore existed in regard to developing field artillery among the Organized Militia have been practically insurmountable in so far as providing suitable horses is concerned. Wherever the Organized Militia has taken up coast artillery, and wherever suitable equipment has been supplied to their armories in the way of dummy armament and accessory equipment excellent results have been obtained. The difficulty has been in the great cost involved in equipping the armories of the State forces with the dummy coast armament, and also in getting adequate numbers of Coast Artillery Militia by reason of the restriction imposed by the requirement that such organizations must be limited to the seaboard. Neither the restrictions peculiar to the field artillery nor those peculiar to the coast artillery apply to siege artillery. At the same time all of the attractiveness, advantages, and interesting features of service characteristic of both field and coast artillery apply to siege artillery in so far as the Organized Militia is concerned. It would be a comparatively easy matter to supply the armories of militia organizations with a full complement of service siege artillery equipment. The gunnery features of the training, the mechanical maneuvers connected therewith, and the fire-control features could all be carried on with the service equipment in the armories of such organizations. The field duties, including all phases of trench and sap work and field fortifications, could be executed in the immediate vicinity of the respective homes of militia siege artillery organizations or in connection with the summer maneuvers. The difficulty in regard to providing suitable horses or draft animals that has been experienced in connection with the field artillery service of the militia would not apply to siege artillery, for the reason that the only need of horses is purely for draft purposes and this could be supplied either through traction motors, or through such heavy draft animals as can readily be picked up in connection with any emergency. All that portion of field artillery training which is involved in the training of the animals and in having animals of special qualities does not apply to siege artillery.

4. It is therefore recommended that the question of the policy of the War Department in regard to siege artillery and its proper position in the organization of the land forces be taken up with a view to a definite settlement thereof, especially in connection with the pending scheme for the organization of the land forces.

5. In this connection it should be pointed out that if assigned to the Coast Artillery it could only be taken up as a secondary and incidental training. The experience of the Spanish War and of the Civil War made it perfectly clear that the inhabitants of seacoast cities are so hysterically excited by the presence of hostile warships off the coast line that it would be impracticable to detach any of the Coast Artillery personnel from their coast defense duties for service in the interior with the mobile army as long as even a single hostile warship should be operating along the coast. For example, it is well known that during the Spanish War, as soon as Cervera left Spain with his fleet in his movement westward, the whole Atlantic coast from Maine to Texas was in a state of hysterical alarm. It would have been entirely impracticable at that time to have taken even one company of Coast Artillery from the coast line for service in the interior.

6. On the other hand, it is believed that the principle should be laid down definitely that the field army is entitled to an efficient siege artillery service in a primary way, and that this arm should be available to the field army in its military operations, *immediately, whenever needed*, regardless of the military necessities or emergencies existing elsewhere outside the theater of operations of the field army.

7. While, therefore, the Coast Artillery may, as a secondary and incidental proposition, continue the instruction of its personnel in siege artillery service, in so far as this may be done without detriment to its primary functions of making itself efficient seaward against a naval enemy, it is believed that it is not in accordance with the highest degree of military efficiency and not in the interest of the field army to prescribe that the siege artillery needed for the field army shall be supplied by Coast Artillery troops.

8. In order, however, that the work now being undertaken in accordance with the instructions of the Chief of Staff, of organizing a battalion of siege artillery composed of 7-inch howitzers, may be conducted in such a way as to produce satisfactory results, it is recommended, as a tentative proposition, until some more logical and permanent solution of the problem may be arrived at, that the request and recommendations of Maj. Tracy in this letter be approved; that is, that the commanding officer of the coast defenses of the Delaware be authorized to modify the requirements of the Coast Artillery instruction order, in so far as the companies assigned to the service of the siege howitzers are concerned, in such a manner as he may deem expedient, in order that they may be able to accomplish the special work assigned to them in the most satisfactory way.

The whole matter was referred to the War College on June 18, 1913, in the following memorandum by the secretary of the General Staff:

The Chief of Staff directs that in the organization for the field army being prepared now by the Army War College that there be included provisions for the permanent organization of such units of siege artillery as may be considered necessary for the successful operations of armies in the field. This siege artillery will be of caliber greater than the 6-inch howitzer, and will probably include guns and mortars from 7.6-inch to 12-inch caliber. The organization should prescribe what is needed for the proper service of the guns, ammunition trains, and supply and repair parts; in fact, everything essential to the complete organization of this class of Artillery.

The organization will form part of the Field Artillery.

It would appear, therefore, from this memorandum that the policy of the department has been definitely prescribed, that permanent organization of siege artillery units should be provided for the land forces.

As a result of this correspondence the instructions received by the Chief of Coast Artillery to give primary consideration to the siege artillery work of these two companies were revoked, and the companies were permitted to revert to their normal Coast Artillery functions, with siege artillery instructions as an incidental and subordinate feature.

The question of boat service required for the Coast Artillery in the discharge of its duties as coast defenders should be taken up in a definite way with a view to determining precisely what is necessary, both as to number and as to character of such boats. The minimum number of boats that should be supplied, and the size and equipment of such boats should be determined, in order that Coast Artillery instruction and service in action may on one hand be efficiently performed and, on the other, due economy may be practiced. This boat service divides itself into three separate classes:

First. The service that is necessary for towing targets, for transporting artillerymen to the batteries and to the range-finding stations in the several harbors for the daily drill and for target practice; for laying, overhauling, and repairing fire-control and other submarine cables connected with the service of the fortifications;

Second. The mine planters, which go along the coast visiting coast defenses annually as itinerant schools for mine instruction; and

Third. The local mine defense boats necessary for planting the mines provided for each harbor.

In this connection it is thought that the crews of the larger Coast Artillery boats may with advantage be supplied from the Coast Artillery enlisted personnel. With the exception of masters, mates, engineers, and assistant engineers, the personnel of Coast Artillery boats could be supplied with advantage and with economy from the

enlisted men of the Coast Artillery. It would be possible to establish a course of instruction in the enlisted men's branch of the Coast Artillery School at Fort Monroe, Va., that would train a class of men to perform well the duties connected with stoking, oiling, and the work of deck hands. It would be necessary, however, that enlisted men performing this class of duties should be given some increase of pay, otherwise they could not be held in the service, as the pay of similar work on commercial ships would prove too great an attraction.

The approved scheme for the organization of the land forces of the United States contemplates that there shall be 15 brigadier generals provided for the command of the brigade units of the mobile army and four brigadier generals for the command of Coast Artillery districts. It is desired to point out that the needs of these two branches (mobile army and Coast Artillery) of the line of the Army can not adequately be met unless provision be made separately in law for general officers to command the brigades of the mobile army and general officers to command the Coast Artillery districts of the Coast Artillery Corps. It is recommended that the act of Congress approved February 2, 1901, be modified so as to include in the Coast Artillery Corps four brigadier generals of Coast Artillery in addition to the Chief of Coast Artillery, to be appointed from the colonels of the Coast Artillery Corps. The four additional brigadier generals to be assigned to command as follows: One, the North Atlantic Coast Artillery district; one, the South Atlantic Coast Artillery district; one, the Pacific Coast Artillery district; and one, the Coast Artillery district of Manila Bay. The number of Coast Artillery troops included in these districts, respectively, amply warrants a general officer in command thereof as shown in the following table:

North Atlantic Coast Artillery District.

Coast defenses of—	Companies.
Portland	12
Portsmouth	1
Boston	12
New Bedford	1
Narragansett Bay	8
Long Island Sound	12
Eastern New York	6
Southern New York	14
Total	66

And, including enlisted specialists, approximately 7,300 enlisted men.

South Atlantic Coast Artillery District.

Coast defenses of—	Companies.
The Delaware	4
Baltimore	3
The Potomac	2
Chesapeake Bay	10
The Cape Fear	3
Charleston	3
Savannah	4
Key West	1
Tampa	2
Pensacola	5
Mobile	2
New Orleans	2
Galveston	2
Total	43

And, including enlisted specialists, approximately 4,700 enlisted men.

Pacific Coast Artillery District.

Coast defenses of—	Companies.
San Diego	2
San Francisco	17
The Columbia	4
Puget Sound	13
Total	36

And, including enlisted specialists, approximately 4,000 enlisted men.

Manila Bay and Subic Bay at present contain 11 companies, or 1,600 enlisted men. It is to be increased to 24 companies, or approximately 2,700 men, and, in addition to these, a large complement of mobile troops will be present.

Experimental tests have continued throughout the year with the so-called self-contained horizontal base position finders. While this type of instrument has been in use a number of years, the full possibilities in the way of accurate range finding had not been realized until the last year or two. Several makers have submitted them for test by the Coast Artillery Board at Fort Monroe, Va., and the reports of this board indicate a constant improvement in accuracy. Three special types were tested during the past year, each of which gave promising results. As a result of the comments of the Coast Artillery Board the makers asked leave to submit new instruments for another test, which would include modifications and suggestions made by the Coast Artillery Board. These instruments have been set up at Fort Monroe by the makers and are now undergoing test. The recommendation of the Coast Artillery Board, based on the tests of last year, is that these instruments be considered as the primary range-finding equipment for the larger caliber guns. It is confidently expected that the tests now taking place will show even a higher percentage of accuracy than those of last year, and will be of such nature as to make possible a definite recommendation as to the type of this class of instrument to be adopted for use.

Attention is invited to the promising experiments which have continued during the year with the Hammond radio-controlled torpedo. Mr. Hammond has, in the opinion of the Chief of Coast Artillery, at the present time, worked out the details of radio control so as to make it possible to apply it in the form of a spar torpedo to a motor boat. His further experiments point to a satisfactory solution of the problem of applying his equipment to a submerged torpedo under radio control from the shore. The distance to which this control can be exercised is limited only by the distinctness of vision, aided by telescopes. It should be pointed out that this new type of weapon does not displace the submarine mine defense. It should be understood that the latter is a passive defense; the mines are planted in certain water areas over which the enemy's ships must pass, the ships must come to the mines in order that they may be effective. The radio controlled torpedo, on the other hand, is an offensive weapon, and, like the projectiles of guns and mortars, seeks its own target, and seeks it under constantly controlled direction. If such a means of attack were added to those we now have, we would then be able to attack an enemy's ship by mortar fire falling vertically on the decks of ships, by gun fire against the side, turret, and barbette armor, and by submarine mines and radio-controlled torpedo below water.

The controllable mobile type of torpedo has always been considered to be desirable as a feature of coast defense armament, but no practical solution of the problem has heretofore been offered.

PERSONNEL.

STRENGTH OF THE COAST ARTILLERY CORPS.

On June 30, 1914, the actual strength of the Coast Artillery Corps was 758[1] officers (excluding 14 chaplains) and 17,901 enlisted men. The strength authorized by law is 748 officers (excluding 14 chaplains) and 19,321 enlisted men.

The strength of the Coast Artillery Corps was, therefore, on June 30, 1914, below the strength authorized by law 1,420 enlisted men.

The following table shows the personnel required to provide one complete manning body for all of the elements of all coast defenses now constructed and appropriated for under the adopted policy that the Coast Artillery of the Regular Army shall man fully all of the guns, mortars, mines, and accessory matériel in the insular possessions and the Canal Zone, and all of the mines and one-half of the guns, mortars, and their accessory equipment in the United States proper, and that the Militia Coast Artillery shall man one-half of the guns and mortars of the defenses of the United States proper:

Defenses constructed and appropriated for.	Officers.	Men.
Regular Coast Artillery required for all mines, power and light plants of home defenses	309	5,544
Regular Coast Artillery required for all mines, power and light plants of insular and canal defenses	43	1,194
Regular Coast Artillery required for all gun defenses of insular and canal defenses	220	5,040
Regular Coast Artillery required for one-half of all gun defenses of home defenses	740	18,531
Total Regular Coast Artillery required	1,312	30,309
Total Militia Coast Artillery required	740	18,531
Total force, Regulars and Militia, required	2,052	48,840

From the foregoing it will be seen that the present authorized strength of the regular Coast Artillery Corps is short 564 officers and 10,988 enlisted men of the strength required to man our coast defenses under the adopted policy outlined above.

The defenses outside the continental United States are practically ready for their garrisons, and when these are provided there will remain for home gun defenses 176 officers, and 7,543 enlisted men, which is about one-third of one relief.

In order to provide for our primary home defenses, to wit, Coast Defenses of Portland, Boston, Narragansett Bay, Long Island Sound, Eastern New York, Southern New York, Chesapeake Bay, Pensacola, San Francisco, and Puget Sound, there are required 662 officers and 16,251 enlisted men.

It will thus be seen that there are now provided about one-fourth of the officers and one-half of the enlisted men necessary for this purpose. Unless provision be made in the near future for additional Coast

[1] This number includes 10 additional second lieutenants, who at this date have been absorbed.

Artillery personnel, it will be necessary to reduce the garrisons to mere caretaker detachments at some of the defenses of lesser importance, including Portsmouth, Delaware, Charleston, Savannah, Key West, New Bedford, Potomac, Tampa, Columbia, Baltimore, Cape Fear, and Mobile.

The Militia Coast Artillery organized and available for service as reported at the last annual inspection.

State.	Number of companies.	Officers.	Enlisted men.
Maine	11	42	652
New Hampshire	4	16	214
Massachusetts	12	47	718
Rhode Island	17	65	988
Connecticut	12	44	697
New York	72	104	1,839
North Carolina	6	20	454
Georgia	4	14	143
California	12	41	713
Oregon	8	33	521
Washington	4	15	283
New Jersey			
Pennsylvania			
Delaware			
Maryland			
Virginia			
South Carolina			
Florida			
Alabama			
Louisiana			
Texas			
Total	123	441	7,122

It is therefore recommended that the seacoast States be urged anew to provide their due proportion of Militia Coast Artillery troops, special efforts being made with respect to those at present providing none. All of these contain cities and possess interests to which existing coast defenses are of importance. In this connection it should be noted that Maryland, Virginia, South Carolina, Florida, Alabama, Louisiana, and Texas have heretofore had Coast Artillery companies, but for one reason or another have disbanded them.

The installation of dummy armament in Coast Artillery Militia armories is proceeding satisfactorily, and a higher state of efficiency generally is to be hoped for. Considering the time available, some of the militia do very creditable work.

* * * * * * *

E. M. WEAVER,
Brigadier General, Chief of Coast Artillery.

The CHIEF OF STAFF.

REPORT OF THE CHIEF OF THE BUREAU OF INSULAR AFFAIRS.

WAR DEPARTMENT,
BUREAU OF INSULAR AFFAIRS,
Washington, July 1, 1914.

SIR: I have the honor to submit the following report of the Bureau of Insular Affairs for the past year:

I. PHILIPPINE ISLANDS.

PERSONNEL.

The Philippine Commission is now composed as follows:

Governor General and President of the Commission:
FRANCIS BURTON HARRISON.
Vice Governor and Secretary of Public Instruction:
HENDERSON S. MARTIN.
Secretary of Finance and Justice:
VICTORINO MAPA.
Secretary of Commerce and Police:
CLINTON L. RIGGS.
Secretary of the Interior:
WINFRED T. DENISON.
Members:
RAFAEL PALMA,
VICENTE SINGSON,
JAIME C. DE VEYRA,
VICENTE ILUSTRE.

The vacancy of Associate Justice of the Supreme Court, created by the appointment of Victorino Mapa as a member of the Philippine Commission, was filled by the appointment of Manuel Araullo, who was at that time president of the code committee.

DEPARTMENT OF MINDANAO AND SULU.

Perhaps the most important change in the Philippine government during the year was that in the government of the Moro Province.

While not required by the act creating the Moro Province, the Army officer commanding the troops stationed within the province had since its organization been invariably appointed governor thereof. It was felt that such progress had been made in the establishment of law and order in the province as no longer to require a military man as governor, or, in fact, to require the stationing within that province of American soldiers.

After careful consideration, the Governor General, the commanding general of the Philippine Department, and Gen. Pershing, who was the last military man occupying the position of governor of the province, agreed that a civilian might well be appointed to the position of governor.

For this important position Mr. Frank W. Carpenter was selected. Gov. Carpenter was one of the oldest officials of the Philippine government, having been in the islands since 1899. He has the confidence of Americans and Filipinos in the islands, and it is felt that the change in the government of the Moro Province partakes less of an experiment with him as governor.

Coincident with the change of governors the title was changed, and the Moro Province is now known as the "Department of Mindanao and Sulu." It includes the former Moro Province and the Province of Agusan. The latter province has heretofore been under the direct supervision of the Secretary of the Interior. It was thought that it would be better to have all parts of Mindanao and Sulu not represented in the Philippine Legislature under one head, the governor of that department.

LEGISLATION.

No important legislation was enacted by Congress affecting the Philippine Islands during the past year. There is, however, pending in the House of Representatives a bill introduced by the chairman of the Committee on Insular Affairs, Mr. Jones, of Virginia, providing a new organic law for the Philippine Islands (H. R. 17856).

A number of important laws were passed by the Philippine Legislature during the year, among which was the annual appropriation bill. For the three preceding years, as was stated in the annual report of last year, there had been a failure to agree upon the annual appropriation act for the support of the government.

NEEDED LEGISLATION.

Under this head in the last annual report attention was called to the desirability of modifying the act approved March 2, 1903, entitled "An act to establish a standard of value and to provide for a currency system in the Philippine Islands," so as to permit the Philippine government, while strengthening the reserve behind its silver certificates, to make a profitable use of part of this reserve instead of holding it physically in the treasury vaults.

Attention was also called to the necessity of modifying section 18 of the Philippine customs tariff in order that invoices covering shipments of merchandise from foreign countries to the Philippine Islands might be simplified, as in the case of similar invoices for merchandise entering the United States.

It is interesting, in view of the past difficulties of obtaining the attention of Congress to such details as the foregoing, to note that under the pending Philippine bill these details are entirely within the jurisdiction of the Philippine Legislature, subject to the approval of the President of the United States.

COMMERCE.

Heretofore the fiscal year of the Philippine government has ended June 30, and the fiscal year of the provinces and municipalities has ended on December 31. By an act of the Philippine Legislature at

its last session the fiscal year of the Philippine government in all its branches was made the calendar year. For this reason, in this report trade returns from the islands will be considered for the six months ending December 31, 1913, thus bridging the old and new Philippine fiscal year.

The decrease in the imports shown in the six months' period is due entirely to the decrease in the importation of rice, the result of a good crop of rice in the Philippine Islands, rather than of a depression in trade. This is borne out by the fact that when the first six months of the present calendar year is considered, the trade of the islands compares very favorably with any previous period of one year.

IMPORTS.

Imports for the period 1904–1913, exclusive of gold and silver, were as follows:

Twelve months ending June—	From—		
	United States.	Other countries.	Total.
1904	$4,633,216	$28,587,545	$33,220,761
1905	5,761,498	25,114,852	30,876,350
1906	4,333,803	21,465,373	25,799,266
1907	5,155,359	23,630,496	28,785,855
1908	5,079,487	25,838,870	30,918,357
1909	4,691,770	23,100,627	27,792,397
1910	10,775,301	26,292,329	37,067,630
1911	19,483,658	30,350,064	49,833,722
1912	20,604,155	33,945,825	54,549,980
1913	25,387,085	30,940,498	56,327,583
1913[1]	14,326,198	13,712,750	28,038,948

[1] July–December.

EXPORTS.

Exports for the period 1904–1913, exclusive of gold and silver, were as follows:

Twelve months ending June—	To—		
	United States.	Other countries.	Total.
1904	$11,102,775	$19,147,852	$30,250,627
1905	15,668,026	16,684,589	32,352,615
1906	11,779,411	20,337,723	31,917,134
1907	12,079,204	21,634,153	33,713,357
1908	10,323,233	22,493,334	32,816,567
1909	10,215,331	20,778,232	30,993,563
1910	18,741,771	21,122,398	39,564,169
1911	16,716,956	23,061,673	39,778,629
1912	21,517,777	28,802,059	50,319,836
1913	19,848,885	33,834,441	53,683,326
1913[1]	8,832,700	15,315,175	24,147,875

[1] July–December.

Statistics of leading exports.

Twelve months ending June—	Copra.					
	Total.			United States.		
	Long tons.	Dollars.	Dollars per ton.	Long tons.	Dollars.	Dollars per ton.
1904	53,277	2,527,019	47	171	9,231	54
1905	36,963	2,095,355	57	202	14,425	71
1906	65,112	4,043,115	62			
1907	48,306	4,053,193	84	1,092	108,086	99
1908	75,211	5,461,680	73	2,921	228,565	78
1909	103,897	6,657,740	64	4,639	287,484	62
1910	113,463	9,153,951	81	5,451	447,145	82
1911	113,776	9,899,457	87	12,047	1,030,481	86
1912	166,667	16,514,749	99	23,778	2,339,144	98
1913	111,269	11,647,898	105	7,342	720,245	98
1913 [1]	41,569	5,120,171	123	7,478	952,342	127

Twelve months ending June—	Manila hemp.					
	Total.			United States.		
	Long tons.	Dollars.	Dollars per ton.	Long tons.	Dollars.	Dollars per ton.
1904	129,742	21,794,960	168	60,912	10,631,591	175
1905	128,564	22,146,241	172	72,196	12,954,515	179
1906	110,399	19,446,769	176	61,068	11,168,226	183
1907	112,895	21,085,081	187	57,469	11,326,864	197
1908	114,003	17,311,758	152	48,043	7,683,950	160
1909	147,621	15,833,577	107	77,958	8,534,288	109
1910	168,090	17,404,922	104	97,737	10,399,397	106
1911	163,033	16,141,340	99	65,494	7,410,373	113
1912	151,554	16,283,510	107	68,474	7,751,489	113
1913	142,292	23,044,744	162	62,708	11,613,943	185
1913 [1]	61,772	10,630,642	172	22,495	4,697,110	209

Twelve months ending June—	Sugar.					
	Total.			United States.		
	Long tons.	Dollars.	Cents per pound.	Long tons.	Dollars.	Cents per pound.
1904	73,977	2,668,507	1.61	11,443	354,144	1.38
1905	111,849	4,977,026	1.99	56,948	2,618,487	2.05
1906	123,790	4,863,865	1.75	7,187	260,104	1.62
1907	118,395	3,934,460	1.48	6,506	234,074	1.61
1908	149,323	5,664,666	1.69	48,697	2,036,697	1.87
1909	110,604	4,373,338	1.77	20,949	881,218	1.88
1910	125,699	7,040,690	2.50	92,668	5,495,797	2.65
1911	147,016	8,014,360	2.43	126,889	7,141,755	2.51
1912	183,077	10,400,575	2.54	159,227	9,142,833	2.56
1913	209,182	9,491,540	2.03	82,625	3,989,665	2.16
1913 [1]	64,350	2,997,211	2.08	21,390	1,107,084	2.31

[1] July–December.

Statistics of leading exports—Continued.

Twelve months ending June—	Leaf tobacco.					
	Total.			United States.		
	Pounds.	Dollars.	Cents per pound.	Pounds.	Dollars.	Cents per pound.
1904	19,044,290	1,021,949	5.37	211	35	16.59
1905	16,276,266	1,005,404	6.18			
1906	21,358,832	1,458,573	6.83	107,923	6,143	5.69
1907	29,910,788	1,957,488	6.54			
1908	23,184,814	1,581,423	6.82			
1909	23,561,853	1,662,269	7.05			
1910	21,471,470	1,598,557	7.45	15,280	2,176	14.24
1911	26,812,233	1,794,480	6.69	9,720	1,700	17.49
1912	26,965,021	1,842,414	6.83	10,878	1,494	13.73
1913	29,060,665	2,005,667	6.90	84,822	13,151	15.50
1913 [1]	16,002,544	1,064,595	6.65	3,043	175	5.75

Twelve months ending June—	Cigars.						Other exports.	
	Total.			United States.			Total.	United States.
	Thousand.	Dollars.	Dollars per thousand.	Thousand.	Dollars.	Dollars per thousand.	Dollars.	Dollars.
1904	104,815	968,869	9.24	96	1,795	18.70	1,269,323	105,979
1905	106,786	971,177	9.09	336	6,790	20.21	1,157,412	73,809
1906	93,096	904,250	9.71	1,288	23,405	18.17	1,200,562	121,533
1907	116,719	1,051,621	9.01	1,593	26,067	16.36	1,631,514	384,113
1908	118,070	1,084,196	9.18	1,365	21,781	15.96	1,712,844	352,210
1909	115,977	1,083,702	9.34	2,696	43,818	16.25	1,382,937	468,523
1910	196,192	2,973,630	15.16	83,931	1,906,447	22.71	1,692,419	490,809
1911	132,217	1,700,712	12.86	22,974	625,244	27.22	2,228,280	504,403
1912	175,320	2,660,061	15.17	67,692	1,520,754	22.47	2,618,527	762,063
1913	207,396	3,356,748	16.19	96,432	2,098,123	21.76	4,136,729	1,413,758
1913 [1]	80,683	1,260,609	15.62	25,065	616,046	24.58	3,074,647	1,459,943

[1] July–December.

RAILROADS.

The Manila Railroad Co. is actively extending its lines in Luzon, and communication will soon be established between the most important points of the island.

The Philippine Railway Co. has completed its construction work in the islands.

The past year has been the most successful year in the history of these two railroads.

BONDED INDEBTEDNESS.

The bonded indebtedness of the Philippine government, including the bonded indebtedness of the cities of Manila and Cebu, has not changed since the last report. It is as follows:

	Amount.	Redeemable.	Due,
Land-purchase bonds, 4 per cent	$7,000,000	1914	1934
Public works and improvement bonds, 4 per cent	2,500,000	1915	1935
Do	1,000,000	1916	1936
Do	1,500,000	1919	1939
City of Manila sewer and waterworks bonds, 4 per cent	1,000,000	1915	1935
Do	2,000,000	1917	1937
Do	1,000,000	1918	1938
City of Cebu sewer and waterworks bonds, 4 per cent	125,000	1921	1941
Total	16,125,000		

Ample sinking funds have been provided by law for the retirement of the above-mentioned bonds at or before maturity. The status of these sinking funds is satisfactory.

RAILWAY BONDS.

During the six months bonds of the Manila Railroad Co. to the face value of $774,000 and bonds of the Philippine Railway Co. to the face value of $8,000 were issued against completed construction. These bonds, under the terms of the concessionary grants, are guaranteed as to interest by the Philippine government. To December 31, 1913, bonds so guaranteed as to interest were outstanding as follows:

Manila Railroad Co.	$7,085,000
Philippine Railway Co.	8,551,000

GOLD STANDARD FUND.

Excess increments to the gold-standard fund to the amount of $285,077.18 were transferred to the general fund of the insular treasury during the six months under consideration, making the total transfers on this account to December 31, 1913, $2,428,360.02. On that date, the gold-standard fund consisted of $9,201,236.37, of which $3,823,488 was invested in loans to Provinces, municipalities, and the Manila Railroad Co., the remainder being in cash deposited with banks at interest, and with proper security, or held in the insular treasury, with the exception of $155,974.14 represented by accounts receivable.

SILVER COINAGE.

During the six months ₱105,000 in Philippine silver coin were shipped to the San Francisco mint for recoinage under the act of Congress approved June 23, 1906, making the total of such shipments to December 31, 1913, ₱30,208,031.80. It is thought that this practically completes the recoinage provided for by that act, since, although all of the original coinage shipped to the islands has not been recoined, the probabilities are that the amount thereof outstanding was in large part melted for its bullion value or otherwise withdrawn from circulation.

New coin was shipped from the San Francisco mint to Manila during the six months to the amount of ₱90,979, making the total shipments of silver coin of the present standard to December 31, 1913, and the minor coinage on hand that date as follows:

Pesos	₱43,085,312.00
50 centavos	2,719,401.50
20 centavos	1,819,957.20
10 centavos	1,311,121.90
5 centavos	499,250.00
1 centavo	571,076.37
½ centavo	52,042.00
Total	50,058,160.97

PAPER CURRENCY.

No paper currency was shipped to the islands during the period July-December, 1913.

DEPOSITARIES IN THE UNITED STATES.

Since the last report the National Shawmut Bank, Boston, Mass., and the St. Louis Union Trust Co., St. Louis, Mo., have been designated as depositaries for funds of the Philippine Government, making at present 14 Philippine depositaries in the United States.

The deposits of the treasurer of the Philippine Islands with depositaries in the United States since June 30, 1903, are set forth in the following table:

June 30—	
1903	$3,184,261.40
1904	11,648,638.23
1905	11,984,429.87
1906	6,856,559.32
1907	13,061,095.86
1908	8,034,602.94
1909	10,376,313.40
1910	14,421,191.30
1911	12,908,977.19
1912	11,446,373.34
1913	9,893,019.37
Dec. 31, 1913	8,319,348.14

Under the Federal reserve act of December 23, 1913, no public funds of the Philippine Government may be deposited in continental United States in any bank not belonging to the Federal reserve system. This will require a slight rearrangement of depositaries, which is now under way.

INSULAR RECEIPTS AND DISBURSEMENTS.

The following is a comparative statement of insular receipts and disbursements of the Philippine Islands, exclusive of all items of a refundable character, covering the fiscal years ended June 30, 1912 and 1913, and the six months ending December 31, 1913, expressed in United States currency:

	Fiscal year 1912.	Fiscal year 1913.	Six months ending Dec. 31, 1913.
CREDITS.			
Balance from prior years	$8,239,312.93	$8,343,240.69	$7,115,110.11
Revenues:			
Customs	8,908,123.64	7,774,944.74	3,166,754.55
Internal	4,729,710.67	5,044,231.47	2,240,491.06
Miscellaneous	287,488.56	225,755.09	91,616.35
Surplus, gold-standard fund	1,698,513.82	444,769.02	285,077.18
Total revenues	15,623,836.69	13,489,700.32	5,783,939.14
Supplies brought into account		27,370.10	2,042.39
Total credits	23,863,149.62	21,860,311.11	12,901,091.64
DEBITS.			
Expenditures:			
Bureaus and offices	9,638,369.80	9,576,538.83	5,361,823.46
Miscellaneous	381,496.15	487,015.72	195,553.62
Fixed charges	1,389,931.47	654,373.93	383,567.16
Aid to Provinces and municipalities	144,655.00	842,436.72	414,961.36
Public works	3,338,963.85	3,184,835.80	1,562,191.14
Total expenditures	14,893,416.27	14,745,201.00	7,918,096.74
Supplies transferred and dropped	626,492.66		
Surplus:			
Cash	3,793,632.00	3,178,198.84	1,699,760.53
Supplies	2,657,344.03	2,611,476.19	2,787,760.94
Other	1,892,264.66	1,325,435.08	495,473.43
Total debits	23,863,149.62	21,860,311.11	12,901,091.64

EDUCATION.

At the present time there are about 525,000 children in attendance in the public schools. The total number of schools has been increased from 2,934 in March, 1913, to 4,304.

Great interest has been taken in the United States in the work of the Bureau of Education, which has resulted in a large number of applicants for teaching positions and has made it possible to secure an excellent corps of teachers. So far as has been possible, Filipinos have been appointed to teaching positions. This is especially true in the positions of teachers of domestic science and home economy and of primary teachers, as a great many Filipinos are graduating from the normal schools and are especially trained to do this particular work.

Courses in school and home gardening have been introduced in the primary and intermediate grades, and gardening is a prescribed industrial subject for one year in the intermediate course.

The promotion of industrial instruction for the public schools continues to be one of the chief aims of the bureau, and at the present time industrial education is within the reach of practically every student in the islands, there being 78 industrial supervisors whose special duties are to promote this work.

FILIPINO CADETS AT WEST POINT.

It is gratifying to be able to report the graduation in June, 1914, from the United States Military Academy at West Point, of Mr. Vicente P. Lim, the first Filipino ever enrolled in that institution. The act of May 28, 1908, provides for the appointment of one Filipino for each class who upon graduation is eligible for a commission in the Philippine Scouts. Mr. Lim, the first cadet designated under this act, reported in March, 1910, and graduated number 77 in a class of 107. He was immediately appointed a second lieutenant of Philippine Scouts.

FILIPINO STUDENTS IN THE UNITED STATES.

Of the 15 Philippine Government students in the United States during the past year, 5 have received degrees and returned to the islands there to enter the employ of the government, 1 remains in the United States at his own expense for practical experience in engineering, and 9 are still in the under-graduate schools of this country. Eight students holding fellowships from the University of the Philippines have been in attendance at graduate colleges of education, medicine, law, and engineering. Of these, 4 have completed their work and returned to the islands.

II. PORTO RICO.

CHANGES IN PERSONNEL.

The following changes in the personnel appointed by the President have taken place since the date of the last annual report:

(1) M. Drew Carrel, the secretary of Porto Rico, resigned on July 1, 1914. Mr. Carrel had previously resigned to take effect December 15, 1913. This resignation was withdrawn at the request of the Governor of Porto Rico. Mr. Carrel had spent 12 years in the government service in Cuba, Santo Domingo, the Philippine Islands

and Porto Rico, and through his resignation the government loses a valuable official.

(2) The term of office of John A. Wilson, secretary of the interior of Porto Rico, expired on January 17, 1914. Mr. Wilson has been closely associated with the irrigation project since its inception, and the governor considered it quite important to retain his services in connection with this work. Accordingly, he has been retained as special assessor for the Interior Department, devoting his entire time to the irrigation work.

(3) Since the date of the last report, the Supreme Court of Porto Rico has lost one of its associate justices, James H. McLeary, by death. Justice McLeary is deeply mourned in Porto Rico, and his death is a great loss to the supreme court, where he had given excellent service continuously since 1901.

On April 17, 1914, the President appointed to this position Harvey M. Hutchison. Judge Hutchison has resided in Porto Rico for the past 11 years, having practiced law before the United States and insular courts, served in the office of the attorney general of Porto Rico, and, since 1911, as judge of the district court at Guayama.

LEGISLATION.

ORGANIC ACT.

Congress has passed no legislation of importance affecting Porto Rico since the last report. A bill has been reported and is now pending in Congress, however, providing a new organic law for the government of the island (H. R. 14866).

SAN JUAN HARBOR IMPROVEMENTS.

The commerce of Porto Rico has grown to such an extent as to outstrip the harbor facilities at San Juan, through which port about 40 per cent of the commerce of the island is handled.

There is a provision in the river and harbor bill now pending in Congress for the further improvement of San Juan Harbor by dredging the greater part of the interior of the harbor to a depth of 30 feet at mean low water, at a total cost of $850,000, and to deposit the dredged material on adjacent swamp lands, now of little or no value and a menace to the health of the city, under an agreement with the insular government, by which the sums received by the sale or lease of lands so reclaimed, up to a total of $600,000, shall be reimbursed to the United States. The bill provides for an immediate appropriation of $400,000. Existing terminal facilities are inadequate and additional deep-water area is imperative for the establishment of docks and for proper maneuvering of vessels. The insular government has appropriated $500,000 and is now engaged in providing adequate dock facilities.

It is hoped that the bill will be enacted into law at the present session of Congress, as the improvements contemplated are essentia to the constantly increasing commerce of the port of San Juan.

IRRIGATION SYSTEM.

The work on the irrigation system of Porto Rico has progressed satisfactorily during the year.

Construction work on the project is practically completed. The principal reservoirs, Patillas, Guayabal, and Carite, and all works

necessary for diverting water from the mountainous regions of heavy rainfall at Carite and Toro Negro, have been completed and placed under operation. Approximately one-third of the irrigable area is now supplied with water, and the balance of the work soon should be finished and the controlled land placed under irrigation.

COMMERCE.

The foreign trade of the island for the fiscal year ending June 30, 1914, aggregated $79,509,549, divided as follows: Imports, $36,406,787; exports, $43,102,762, or a decrease as compared with the previous year of $493,275 in the value of imports and $6,000,803 in exports. American trade constituted about 80 per cent of exports and 90 per cent of imports. Shipments of sugar fell, approximately, 62,000 short tons below the maximum of 383,000 tons in 1913, and this, together with a decline of $6 per ton in average price, explains the heavy reduction in the export total, as well as in the volume of trade with the United States, which is the sugar market of the island. Coffee exports, ranking second in importance and constituting almost the total export trade with other countries, did not differ greatly from the $8,500,000 total of 1913, while the values of cigars and fruits were close to the high record of the previous year.

The following tables indicate the relative values of foreign trade during the period from 1901 to 1914:

Imports.[1]

Twelve months ending June—	From—		Total.
	United States.	Foreign countries.	
1901	$6,965,408	$1,952,728	$8,918,136
1902	10,882,653	2,326,957	13,209,610
1903	12,245,845	2,203,441	14,449,286
1904	11,210,069	1,958,960	13,169,029
1905	13,974,070	2,562,189	16,536,259
1906	19,224,881	2,602,784	21,827,665
1907	25,686,285	3,580,887	29,267,172
1908	22,677,376	3,148,289	25,825,665
1909	23,618,545	2,925,781	26,544,326
1910	27,097,654	3,537,201	30,634,855
1911	34,671,958	4,115,039	38,786,997
1912	38,470,963	4,501,928	42,972,891
1913	33,155,005	3,745,057	36,900,062
1914	32,568,368	3,838,419	36,406,787

[1] Exclusive of gold and silver.

Exports.[1]

Twelve months ending June —	To—		Total.
	United States.	Foreign countries.	
1901	$5,581,288	$3,002,679	$8,583,967
1902	8,378,766	4,055,190	12,433,956
1903	11,051,195	4,037,884	15,089,079
1904	11,722,826	4,543,077	16,265,903
1905	15,633,145	3,076,420	18,709,565
1906	19,142,461	4,115,069	23,257,530
1907	22,070,133	4,926,167	26,996,300
1908	25,891,281	4,753,209	30,644,490
1909	26,394,312	3,996,913	30,391,225
1910	32,095,645	5,864,574	37,960,219
1911	34,765,409	5,152,958	39,918,367
1912	42,873,401	6,832,012	49,705,413
1913	40,538,623	8,564,942	49,103,565
1914	34,423,180	8,679,582	43,102,762

[1] Exclusive of gold and silver.

Statistics of leading exports.

Twelve months ending June —	Sugar.	Cigars.	Coffee.	Oranges.	Pineapples.	Coconuts.	Grape fruit.
1901	$4,715,611	$306,115	$1,678,765	$84,475	[1]	$8,334	[1]
1902	5,890,302	1,549,235	3,195,662	51,364	[1]	12,720	[1]
1903	7,470,122	1,753,795	3,970,574	230,821	[1]	326	[1]
1904	8,690,814	1,460,496	3,903,257	352,646	[1]	[1]	[1]
1905	11,925,804	2,152,051	2,141,009	125,422	[1]	[1]	[1]
1906	14,184,667	3,074,226	3,481,102	295,633	$27,826	129,793	[1]
1907	14,770,682	4,241,410	4,693,004	469,312	64,831	174,957	$7,586
1908	18,690,504	3,414,140	4,204,609	630,720	172,779	206,704	44,535
1909	18,432,446	4,383,893	3,715,744	401,912	442,780	204,498	76,310
1910	23,545,922	4,480,030	5,669,602	582,716	555,044	218,870	162,749
1911	24,479,346	5,355,223	4,992,779	703,969	641,291	258,168	309,698
1912	31,544,063	5,086,711	6,754,913	584,414	684,774	308,883	525,048
1913	26,619,158	5,800,686	8,511,316	740,091	1,142,348	353,690	726,811
1914	20,240,335	5,597,276	8,193,544	752,180	1,246,001	451,882	751,769

[1] Not separately stated.

Breadstuffs are the leading feature in the import trade. The total for 1913 was approximately $8,000,000. In 1914 there was received from the United States rice valued at $5,306,364 and wheat flour $1,608,504. Cotton goods of American manufacture increased from $3,821,535 to $4,494,272 and meat products from $3,211,247 to $3,678,741. These imports were only nominal from other sources. Purchases of iron and steel continue to diminish, and the value of $2,644,008 was the smallest in several years.

RECEIPTS AND EXPENDITURES.

A comparative statement of all receipts and disbursements of Porto Rico for the fiscal years 1911, 1912, and 1913 and the nine months ending March 31, 1914, expressed in United States currency, follows:

	Fiscal year 1911.	Fiscal year 1912.	Fiscal year 1913.	Nine months ending Mar. 31, 1914.
Revenues:				
Customs	$1,065,998.95	$1,180,592.90	$1,028,291.95	$546,500.00
Internal	2,571,450.02	2,778,231.32	2,732,656.88	2,691,472.57
Miscellaneous	349,296.87	410,339.73	621,595.19	355,987.75
Total revenues	3,986,745.84	4,369,163.95	4,382,544.02	3,593,960.32
Other receipts:				
Repayment of loans to municipalities	79,659.81	74,974.82	115,831.51	436,514.76
Repayment of loans to school boards	38,943.41	35,098.13	25,064.74	26,462.47
Repayments to appropriations and transfers	324,054.70	956,986.53	903,610.75	812,281.05
Total receipts	4,429,403.76	5,436,223.43	5,427,051.02	4,869,218.60
Expenditures:				
Legislative	60,596.60	58,673.37	112,697.38	67,855.90
Executive	3,137,017.42	4,022,807.95	3,798,454.81	3,393,604.80
Judicial	443,366.36	461,383.91	496,144.13	354,097.49
Miscellaneous	153,268.01	127,687.61	369,801.10	40,645.75
Construction and maintenance of insular roads and bridges			186,666.24	325,337.23
Total expenditures	3,794,248.39	4,670,552.84	4,963,763.66	4,181,541.17
Other disbursements:				
Loans to municipalities	19,200.00	32,700.00	517,508.25	398,940.07
Loans to school boards	17,385.86	294.60	5,000.00	124,487.50
Repayments to appropriations and transfers	95,591.31	152,122.20	805,308.66	129,708.13
Total disbursements	3,926,425.56	4,855,669.64	6,291,580.57	4,834,676.87

BONDED INDEBTEDNESS.

The bonded indebtedness of the insular government of Porto Rico on June 30, 1914, was as follows:

Title of loan.	Amount outstanding.	Interest.	Maturing.
		Per cent.	
Road bonds, 1907	$650,000	4	$50,000 on Jan. 1 of each year.
Irrigation bonds, 1909	2,850,000	4	$150,000 on Jan. 1 of each year.
Road bonds, 1910	425,000	4	Redeemable after Jan. 1, 1926; payable Jan. 1, 1927.
San Juan Harbor bonds, 1912	100,000	4	Redeemable after Jan. 1, 1922; payable Jan. 1, 1937.
Irrigation bonds, 1913	1,000,000	4	Redeemable after Jan. 1, 1933; payable Jan. 1, 1943.
Do	700,000	4	$100,000 annually beginning Jan. 1, 1944.
San Juan Harbor bonds, 1914	200,000	4	Redeemable after Jan. 1, 1924; payable Jan. 1, 1939.
Total outstanding	5,925,000		

Ample sinking funds have been provided for the redemption of all insular loans when due, and these sinking funds are in a satisfactory condition.

III. DOMINICAN CUSTOMS RECEIVERSHIP.

Two faithful American employees were claimed by death during the last year, Mr. Frank Slothower and Mr. H. B. Schellings.

Mr. Slothower was the deputy receiver at the port of Monte Cristi. He was originally appointed to the service on May 20, 1907.

Mr. Schellings was a special inspector and had been in the service since September 1, 1905.

The year has been marked by continuous political unrest, which during the latter months resulted in financial depression and consequent decrease in customs receipts. Notwithstanding the unsettled political and industrial conditions, the collections for the first six months of the year exceeded those for the corresponding period of the previous fiscal year, and the total receipts for the 11 months ended June 30, 1914, amounted to $3,283,947.34. This is a very gratifying showing under the existing conditions.

The following is a statement of all receipts and disbursements since the inauguration of the receivership:

Statement by fiscal years and for the eleven months ending June 30, 1914, of the customs service, Dominican Republic.

	Under modus vivendi Apr. 1 1905, to July 31, 1907.	Under convention of Feb. 8, 1907.[1]							Total.
		Aug. 1, 1907, to July 31, 1908.	Aug. 1, 1908, to July 31, 1909.	Aug. 1, 1909, to July 31, 1910.	Aug. 1, 1910, to July 31, 1911.	Aug. 1, 1911, to July 31, 1912.	Aug. 1, 1912, to July 31, 1913.	Aug. 1, 1913, to June 30, 1914.	
DEBITS.									
Expenditures:									
Salaries and expenses, all ports	$163,938.00	$83,071.13	$82,196.36	$85,820.61	$91,823.10	$94,142.13	$96,615.51	$92,291.24	$789,898.08
Salaries, office comptroller and general receiver	83,560.76	44,494.70	53,955.68	51,475.40	52,341.54	52,070.82	56,714.33	72,384.78	466,998.01
Interest and exchange	19,155.67	12,185.71	10,831.17	9,566.25	9,868.65	10,605.69	13,543.29	12,400.90	98,157.33
Operation, revenue-cutter service	114,662.39	29,125.69	33,261.25	29,532.18	35,653.08	30,926.58	32,129.50	35,003.63	340,294.30
Customs and frontier guard expense	102,797.09	42,095.75					10,286.61	25,002.87	180,182.32
Payments:									
Dominican Republic	2,897,100.81	1,408,137.61	1,846,942.00	1,408,527.60	2,022,000.00	1,966,200.00	1,747,400.00	1,301,421.91	14,597,729.93
Fiscal agency account	3,148,764.32	1,663,977.03	1,139,118.10	1,265,000.00	1,295,820.90	1,424,092.24	1,632,772.25	1,519,458.34	13,089,003.18
Indemnities	11,426.85	655.15		5,000.00					17,082.00
Railroad construction	143,557.98	30,937.75							174,495.73
Advanced to Dominican Government (sinking fund segregation) by instructions Bureau of Insular Affairs								60,000.00	60,000.00
Other disbursements:									
Refund	16,382.81	6,866.40	5,043.50	5,225.31	13,219.43	21,624.31	16,969.00	13,459.46	98,790.22
Refundable collections refunded	29,536.58	14,155.28	13,145.02	13,091.85	14,597.06	15,523.76	14,013.66	13,384.83	127,448.04
Concession benefits	103,967.13	41,938.08	19,765.59	6,302.68					171,973.48
Disbursed account building fund							12,431.29	82,129.79	94,561.08
Deposited account of loan authorized by act of Dominican Congress approved Dec. 14, 1912							210,000.00	330,000.00	540,000.00
All other disbursements	10,919.39								10,919.39
Transfer of interest from building fund to Dominican Government								737.42	737.42
For Dominican Government, extra services								546.85	546.85
Balances on hand June 30, 1914:									
Balance due Dominican Government								1,562.37	1,562.37
Unremitted balance in hands of deputy receivers								94,957.68	94,957.68
Building fund								5,117.43	5,117.43
Due fiscal agent, account surplus calendar year 1914								22,752.38	22,752.38
Due fiscal agent, account Dominican loan								50,000.00	50,000.00
Total	6,845,769.78	3,377,640.28	3,204,258.67	2,879,541.88	3,535,323.76	3,615,185.53	3,842,875.44	3,732,611.88	31,033,207.22

[1] Effective Aug. 1, 1907.

Statement by fiscal years and for the eleven months ending June 30, 1914, of the customs service, Dominican Republic—Continued.

	Under modus vivendi Apr. 1, 1905, to July 31, 1907.	Under convention of Feb. 8, 1907.							Total.
		Aug. 1, 1907, to July 31, 1908.	Aug. 1, 1908, to July 31, 1909.	Aug. 1, 1909, to July 31, 1910.	Aug. 1, 1910, to July 31, 1911.	Aug. 1, 1911, to July 31, 1912.	Aug. 1, 1912, to July 31, 1913.	Aug. 1, 1913, to July 31, 1914.	
CREDITS.									
Collections:									
Gross customs receipts	$6,815,756.49	$3,454,955.41	$3,345,712.67	$2,863,874.32	$3,419 141.86	$3,630,451.03	$4,095,280.56	$3,263,683.57	$30,888,855.91
Other receipts, personal fees refunded	29,536.58	14,155.28	13,677.04	13,101.85	14,597.06	15,523.76	14,013.66	13,384.83	127,990.06
Miscellaneous receipts	51.33			3,018.89	1,548.49	1,422.66	3,440.94	6,878.94	16,361.25
Total	6,845,344.40	3,469,110.69	3,359,389.71	2,879 995.06	3,435,287.41	3,647,397.45	4,112,735.16	3,283,947.34	31,033,207.22

IV. BUREAU OF INSULAR AFFAIRS.

The clerical force of the Bureau of Insular Affairs have performed all of the varying duties imposed on them with their customary faithfulness and ability.

FRANK MCINTYRE,
Brigadier General, U. S. Army, Chief of Bureau.

The SECRETARY OF WAR.

REPORT OF THE ISTHMIAN CANAL COMMISSION AND THE PANAMA CANAL.

THE PANAMA CANAL,
OFFICE OF THE GOVERNOR,
Balboa Heights, Canal Zone, September 20, 1914.

SIR: I have the honor to submit the annual report covering the construction, operation, maintenance, sanitation, and protection of The Panama Canal for the fiscal year ended June 30, 1914.

ORGANIZATION.

The organization which existed at the close of the previous fiscal year and was described in the last annual report underwent a number of changes during the year, as the construction work was reduced and concentration of what remained seemed desirable and advantageous.

All municipal engineering work in the Canal Zone formerly performed by the construction divisions, as well as that performed in the cities of Colon and Panama by the division of public works, department of civil administration, was consolidated, effective July 16, 1913, forming the division of municipal engineering, under Mr. George M. Wells, resident engineer, reporting to the chief engineer.

For the design of the buildings for the new town of Balboa, an architectural force was organized on the Isthmus, as well as a force under a resident engineer for the erection of the new administration building and quarters for officers and employees, in accordance with plans which had been prepared and approved. In addition, a force under a landscape architect was gathered together to lay out the grounds and construct streets, water and sewer systems for the Balboa town site, independent of the division of municipal engineering. While the work of the first two forces was directly under the supervision of the chief engineer, to reduce the cost of administration they were assigned to the quartermaster's department; the force

of the landscape architect was placed under the second division of the chief engineer's office.

Effective October 1, 1913, the time keeping and cost keeping for the central division and the cost keeping for the quartermaster's department were transferred to the office of the chief engineer and consolidated with the forces already organized under this office to take care of the time keeping and cost keeping of other branches of the work.

With the admission of water into Culebra Cut by the blowing up of Gamboa Dike on October 10, 1913, the central division was abolished. The remaining dry excavation in the territory covered by this division was placed under a resident engineer reporting to the chief engineer; all surveying work and dredging were placed under the sixth division of the chief engineer's office, and the transportation forces, with those of the first, fifth, and fortification divisions, were concentrated under a superintendent of transportation and placed with the second division of the office of the chief engineer; the central division's property accountability was transferred to the quartermaster's department.

Effective October 15, 1913, the concrete work remaining to complete the construction of the locks at Gatun was transferred from the Atlantic division to the first division, which could do it in connection with installation of the machinery and towing tracks with the same supervisory force; similar unfinished work in connection with the Pacific Locks was also transferred to the first division at the same time.

On January 1, 1914, all dry excavation still in progress in connection with the Culebra Cut, the construction of the Naos Island Breakwater, the sluicing operations on the east bank of the Cut north of Gold Hill to relieve the pressure, and the fill of the town site at Balboa were consolidated and placed in charge of Mr. George A. Greenslade, general superintendent, and constituted the fourth division of the chief engineer's office. The auditing of property returns and the making of test checks of property were transferred from the chief quartermaster to the examiner of accounts.

The remaining work in the Atlantic and fifth divisions having reached such a stage as not to justify the administrative charges that the existing organizations called for, these two divisions were abolished on February 1. Their property accountability was transferred to the quartermaster's department and their records turned over to the fourth division, office of the chief engineer. The construction of the west breakwater and the operation of Porto Bello quarry were transferred to the second division of the chief engineer's office, while the work remaining at Gatun Dam, El Cano saddle, back fill at Miraflores, Miraflores spillway channel, Ancon quarry, and the sluicing at Gold Hill were placed directly under the chief engineer.

Effective April 1, 1914, by Executive order and in conformity with the Panama Canal act of August 24, 1912, the existing organization was abolished and the one contemplated by the act was made effective. Under this organizations there were created a department of operation and maintenance, a purchasing department, a supply department, an accounting department, a health department, an executive office, and a Washington office of The Panama Canal.

The department of operation and maintenance was placed in charge of the Governor and in the administration of the affairs of the department he is assisted by an engineer of maintenance and a superintendent of canal transportation. To provide for the remaining construction work as well as the maintenance and operation of the canal, the department was organized with the following divisions:

The division of terminal construction, which embraces charge of the design, inspection and construction of dry docks, shops, coaling and fuel-oil plants, floating cranes, docks, and other terminal facilities; construction transportation by rail; road, street, and sewer work in the new town of Balboa; and the breakwater construction at the Atlantic terminal, reporting to the Governor.

The division of erection; the electrical division; the division of municipal engineering; the division of lighthouses, until June 16, 1914, when it was abolished; and the office engineer with his forces, were placed under the engineer of maintenance.

The dredging division, fortification division, mechanical division, and the remaining construction work consisting of sluicing in the vicinity of Gold Hill, completion of Naos Island Breakwater, excavation in the dry to relieve side pressure in the vicinity of Culebra, and grading and filling at the locks and dams, combined in a general construction division, report directly to the Governor.

The division of canal transportation, under the supervision of a superintendent of transportation reporting to the Governor, is charged with the safe conduct of vessels through the canal. The port captains, the board of local inspectors, the pilots, and the admeasurers of vessels, and, since June 16, 1914, the care and operation of lights and beacons are directly in charge of the superintendent of transportation.

Col. H. F. Hodges, United States Army, was designated as engineer of maintenance, Mr. H. H. Rousseau, United States Navy, as engineer of terminal construction, and Capt. Hugh Rodman, United States Navy, as superintendent of transportation.

The quartermaster's department and the subsistence department, as outlined in previous annual reports, were consolidated to constitute the supply department, which was placed in charge of Capt. R. E. Wood as chief quartermaster. It has charge of the storing and dis-

tribution of all material and supplies for use of The Panama Canal and its employees, and for other departments on the Isthmus and their employees, and for vessels of the United States and other vessels when required. It operates commissaries, hotels, and messes; has charge of the maintenance of buildings, the assignment of quarters, and care of grounds. It recruits and distributes unskilled labor and is in charge of the necessary animal transportation.

The accounting department, as organized, consists of the auditor's, the paymaster's, and the collector's offices. The consolidation was made for administrative purposes only in order to secure economy, the auditor having supervision and direction of the entire department; the heads of the subdivisions, however, are independent in their own particular spheres. The department has charge of general bookkeeping, auditing, and accounting for both money and property, the examination of pay rolls and vouchers, the inspection of time books and of money and property accounts, the administrative examination of accounts as required by law, and the collection, custody, and disbursement of funds for The Panama Canal and the Canal Zone. The accounting department was placed in charge of Mr. H. A. A. Smith as auditor for The Panama Canal, with Mr. John H. McLean as paymaster and Mr. T. L. Clear as collector.

The health department was organized under the supervision and direction of a chief health officer, Lieut. Col. Charles F. Mason, United States Army. This department is charged with all matters relating to maritime sanitation and quarantine in the ports and waters of the Canal Zone and in the harbors of the cities of Panama and Colon, and with land sanitation in the Canal Zone and sanitary matters in the terminal cities in conformity with the canal treaty between the United States and the Republic of Panama, together with all matters relating to hospitals and charities.

The civil functions of the Canal Zone were placed in charge of an executive secretary who, under the direction of the Governor, has supervision of all matters relating to the keeping of the time of employees, to post offices, customs, taxes and excises, excepting the collection thereof, police and prisons, fire protection, land offices, schools, clubs, and law library, the custody of files and records, and the administration of estates of deceased and insane employees. He conducts all correspondence and communications between the authorities of the Canal Zone and the Government of the Republic of Panama, and the diplomatic representatives from other countries. Mr. C. A. McIlvaine was appointed executive secretary.

The scope of the work of the Washington office remained about the same as previously reported, Maj. F. C. Boggs, United States Army, being continued in charge as general purchasing officer and chief of office.

By Executive order of May 20, 1914, a committee of six members was created to arrange and provide suitable ceremonies for the formal and official opening of The Panama Canal, as is provided for in section 4 of the Panama Canal act. The committee is composed of persons who were members of the Isthmian Canal Commission and is to be known and referred to as the committee for the formal and official opening of the Panama Canal.

CONSTRUCTION.

PERSONNEL.

The central division, embracing the same work as described in the annual report for 1913, continued in charge of Lieut. Col. D. D. Gaillard, United States Army, as division engineer, until the division was abolished on October 15, 1913. During his absence on regular annual leave from May 7, 1913, to July 2, 1913, and during the part of his illness from July 29, 1913, to October 15, 1913, the work was conducted by Resident Engineer A. S. Zinn as acting division engineer. Subsequent to the abolition of the division and until January 1, 1914, Mr. Zinn continued in charge of steam-shovel work which was undertaken to lighten the banks, of the approaches to the pontoon bridge, and of the Naos Island Breakwater. Col. Gaillard died, as the result of a tumor on the brain, December 5, 1913.

The work of dry excavation in Culebra Cut was divided into two districts; one extended from Gamboa to Culebra, which continued in charge of Mr. J. M. Hagan, superintendent, until September 14, 1913, when he was transferred to Naos Island Breakwater, relieving Supt. W. T. Reynolds, who resigned on September 13, 1913. He remained in charge until the consolidation of the construction work under the fourth division, chief engineer's office, January 1, 1914. The breakwater was then placed under Mr. Will B. Casey, general foreman. The district from Culebra to Pedro Miguel Locks continued in charge of Mr. M. W. Tenny, superintendent, until December 31, 1913. The transportation division continued in charge of Mr. A. Sessions until he resigned, on October 13, 1913, when all the transportation on the Pacific side of the canal was concentrated.

The Atlantic division, embracing the same construction work as described in the last annual report, continued in charge of Lieut. Col. William L. Sibert, United States Army, as division engineer, until February 1, 1914, when the division was abolished. He continued on duty as a member of the Isthmian Canal Commission until April 1, 1914. Maj. James P. Jervey, United States Army, resident engineer, continued in charge of the construction of the masonry work of the Gatun Locks until September 26, 1913. Maj. George M. Hoffman, United States Army, resident engineer, continued in charge

of the Gatun Dam and spillway until September 28, 1913. On these dates both the latter officers were relieved on account of the practical completion of their work. Lieut. Col. William V. Judson, United States Army, assistant division engineer, continued in charge of the construction of the breakwater at Toro Point and the operation of the Porto Bello quarry until the abolition of the division, when he continued in charge of the same work as assistant division engineer until April 1, 1914, when, on his own request, he was relieved from duty with the canal.

The fifth division, chief engineer's office, continued in charge of Mr. H. O. Cole as resident engineer, and had charge of masonry construction of the Pacific locks, dams, and spillway, the operation of the Ancon quarry, and excavation of the channel between Pedro Miguel and Miraflores Locks until October 15, 1913, when the locks were transferred to the first division, and he continued in charge of the balance of the work until January 31, 1914, when the amount of work remaining necessitated a reorganization and he severed his connection with the canal.

Other officials connected with the work during the year are referred to elsewhere in the report.

LOCKS AND DAMS.

Gatun Locks.—As noted in the last annual report, the concrete work of the locks assigned to the Atlantic division was finished June 14, 1913, with the exception of the lamp-post bases, bases for snubbing buttons and mooring posts, stairway parapets, and the closing of openings left for construction purposes. During the year just ended there were laid 525 cubic yards of concrete in the locks structure at a division cost of $95.2529 per cubic yard (including finishing and calking concrete previously laid); in the construction of the control house, 94 cubic yards at a division cost of $81.2796 per cubic yard, and 9,785 cubic yards in connection with the installation of the machinery, at a division cost of $10.7015 per cubic yard. The construction-plant mixers ceased operation on August 16, 1913. The construction cableways handled 4,111 cubic yards of concrete and were utilized for the transfer of material across the locks after the removal of the bridges used by the contractors in the erection of the gates. The amount of all concrete laid in the Gatun Locks, exclusive of that used in the construction of the control house, from the beginning of the work to the close of the fiscal year, aggregated 2,067,731 cubic yards at an average division cost of $7.2122 per cubic yard. No rock or sand was handled by the unloading cableways during the year, but they were used for transferring material from the stock piles to the tunnel hoppers and for unloading coal for use on the west side of

the locks. The back filling of the side walls, made of material obtained from borrow pits, was continued until December 19, 1913, when the status of available money necessitated discontinuing further work. The amount placed during the year was 91,576 cubic yards at a division cost of $1.4304 per cubic yard. The total amount of material used for back fill up to June 30, 1914, aggregated 2,119,406 cubic yards placed behind the side walls at a division cost of $0.5007 per cubic yard, and a total of 113,163 cubic yards placed in the center wall at a division cost of $0.7692 per cubic yard. Teams and scrapers, locomotive cranes, and hand labor were used to bring the back fill to final grade, at a cost for the year of $47,376.79. To the end of the fiscal year a total of $56,673.61 was expended on work for this final grading. The concrete paving of the slope between the locks and the Panama Railroad was completed during the year at a total cost of $10,726.54. The lamp-posts, snubbing buttons, and mooring posts were completed in place. The construction of the control house, begun in April, 1913, was continued by the forces of the Atlantic division until October 15, 1913, when it was taken over by the first division with other unfinished work in the Atlantic division. It was completed by the close of the fiscal year, with the exception of the door and window frames. The amount expended for the construction of the building, which is of reinforced concrete, tile roof and tile floors, was $54,391.60.

Gatun spillway.—Work on the spillway consisted in completing the fill of the openings of the valves in the body of the dam, raising the piers to full height, setting the valves, and completing the bridge. So far as the spillway proper is concerned, the structure was finally finished in October of 1913. During the year 7,047 cubic yards of concrete were laid, at an average cost of $8.9005 per cubic yard, making the total amount of concrete placed in the structure 231,179 cubic yards, at an average cost of $7.5273 per cubic yard. The steps on either side and the back fill in connection with them were completed by the supply department and finished in May, 1914.

Gatun Dam.—Work on the dam consisted in placing material on the portions east and west of the spillway to bring the dam to full height, in bringing the slopes generally to final grade, completing the fill around and over the core wall connecting the dam with the locks, paving the upstream slope, and in laying such permanent tracks as it was deemed advisable to maintain in order to make quick repairs in case of necessity. For this purpose two steam shovels were at work until March, 1914, borrowing material from north of the dam, principally red clay, and in accomplishing the grading and completion of the fill; 314,160 cubic yards were handled at a division cost of $0.4033 per cubic yard. Paving the upstream slope, as outlined

in the last annual report, was completed in August, 1913, and 9,860 cubic yards of large riprap rock from Sosa Hill and from excavation for the dry dock at Balboa were used at a division cost of $2.0403 per cubic yard in place. The total amount of large and crushed rock used for paving, therefore, was 94,330 cubic yards, and the average division cost was $1.4378 per cubic yard. Permanent tracks aggregating 5,780 feet in length were laid with good rails and ties, with proper grades and curves. Observations for settlement were continued throughout the year. Seepage from the dam has been negligible. At the close of the rainy season two small streams were found issuing from the north toe in the west portion of the dam, but with the advance of the dry season these ceased entirely. There was no seepage of any kind apparent in the east portion of the dam.

Pedro Miguel Locks.—Masonry construction carried on at these locks by the fifth division consisted of lamp-post bases, bases for snubbing buttons and posts, stairway wells, and the control house. What remained after October 1, 1913, was taken over by the first division in connection with the concrete that was placed as an incident to the installation of the operating machinery. The amount of concrete laid in the lock structure was 1,087 cubic yards, at a division cost of $22.3520 per cubic yard, including finishing and calking concrete previously laid; in the construction of the control house, 592 cubic yards, at a division cost of $62.5423 per cubic yard, and 10,961 cubic yards in connection with the installation of machinery, at a division cost of $11.1332 per cubic yard. As the machinery and wiring were not all installed, additional concrete will be required to complete the work. The total amount of concrete laid at the Pedro Miguel Locks (exclusive of that used in the construction of the control house) from the beginning of the work to the close of the fiscal year was 928,326 cubic yards, and the division cost was $5.6575 per cubic yard. Work on the control house was begun in May, 1913, and was completed by the close of the year with the exception of the doors, windows, and plumbing. The amount expended on the construction of the building, which is of reinforced concrete, tile roof and tile floors, was $68,521.95. The back filling of the side walls was completed in March, 1914, and the filling of the center wall in February, 1914. During the fiscal year 27,750 cubic yards of material were placed behind the side walls, at a division cost of $1.1146 per cubic yard, and 5,619 cubic yards in the center wall, at a division cost of $1.6139 per cubic yard. The total amount of material used for back fill up to June 30, 1914, aggregated 834,288 cubic yards placed behind the side walls, at a division cost of $0.4131 per cubic yard and 220,768 cubic yards placed in the center wall, at a division cost of $0.4777 per cubic yard.

Miraflores Locks.—At the close of the previous fiscal year the concrete of the locks proper was completed, except the lamp-post bases, bases for snubbing buttons and mooring posts, parapets around the stairways, and the nosing at the end of the south-approach pier. During the year just ended 2,844 cubic yards of concrete were laid in the locks structure at a division cost of $20.6624 per cubic yard (including finishing and calking concrete previously laid); in the construction of the control house, 949 cubic yards at a division cost of $57.2407 per cubic yard, and 18,241 cubic yards in connection with the installation of the machinery at a division cost of $11.3685 per cubic yard. Additional concrete remained to be placed, as the installation of machinery and the wiring were not completed. The building of lamp-post bases on the southeast wing wall was interrupted by the necessity of transferring sand operations to Miraflores, and they remain to be placed. The amount of all concrete laid in the Miraflores Locks (exclusive of that used in the construction of the control house) from the beginning of the work to the close of the fiscal year was 1,507,794 cubic yards at a division cost of $5.1695 per cubic yard.

The total amount of concrete laid in the Pacific Locks (exclusive of that used in the construction of the control houses) at the close of the fiscal year aggregated 2,436,120 cubic yards at an average division cost of $5.3555 per cubic yard.

Backfilling the lock walls at Miraflores was continued, material for the west side being obtained from a borrow pit on the northwest side of Cocoli Hill and on the east side from the excavation of a channel for discharging the overflow from the spillway into the canal, from Diablo and Sosa Hills. The backfilling of the side walls was completed in May, 1914, and the filling of the center wall in March, 1914. During the fiscal year 360,198 cubic yards of material were placed behind the side walls at a division cost of $0.6021 per cubic yard, and 92,244 cubic yards in the center wall at a division cost of $0.5273 per cubic yard. The total amount of material used for back fill up to June 30, 1914, was 2,366,252 cubic yards placed behind the side walls at a division cost of $0.3855 per cubic yard, and 249,457 cubic yards placed in the center wall at a division cost of $0.5846 per cubic yard.

Miraflores Dam and spillway.—During the present fiscal year the total amount of concrete laid in the spillway was 10,112 cubic yards, of which 9,570 cubic yards were plain concrete at a division cost of $8.3510 per cubic yard, and 542 cubic yards were reinforced concrete at a division cost of $11.8730 per cubic yard. The total amount of concrete laid in the spillway to June 30, 1914, was 74,254 cubic yards at a division cost of $6.2160 per cubic yard. The last concrete was laid in February, 1914. Dry filling on the west dam was completed

in February, 1914. During the year 98,424 cubic yards of material (secured from a borrow pit on the northwest side of Cocoli Hill) were placed in this dam at a division cost of $0.6431 per cubic yard. The total amount of dry filling placed in the dam since the beginning of the work is 1,758,423 cubic yards, at a division cost of $0.4582 per cubic yard.

The design, construction, and inspection of the lock gates, chain fenders, emergency dams, operating machinery, and electrical installations continued in charge of Col. H. F. Hodges, United States Army, as assistant chief engineer until April 1, 1914, and subsequently as engineer of maintenance.

Lock gates.—The construction and erection of the lock gates under contract were continued and completed in accordance with the supplemental articles of agreement entered into January 14, 1913. At Gatun all the gates for the west flight were completed on September 24, 1913; all the gates for the east flight on December 30, 1913. At Pedro Miguel all the gates for the east lock were completed September 30, 1913, and for the west lock on December 30, 1913. At Miraflores the gates for the west flight were completed on September 30, 1913, and for the east flight on January 10, 1914. All the gates were completed within the time specified in the supplemental contract, the time at Miraflores being anticipated by about two months. The original contract provided that the contractor should paint the gates with two coats of red lead, at his expense, and with a third coat of some other pigment to be furnished by the Isthmian Canal Commission, applied to the gates at the contractor's cost. To provide for more complete protection, this agreement was modified and at Gatun arrangement was made for an additional coat, making two of red lead and two others, instead of one. These additional coats consisted, one of United States Navy anticorrosive and one of antifouling paint, and were applied to those parts of the gates in the lower locks which are constantly under water. On the remaining gates at Gatun two coats of equal parts of graphite and red lead were applied. It was intended that no red lead should be used at Pedro Miguel except for the upper guard gates, the protection to consist of three coats of damp-proof paint. At Miraflores the gates in the lower lock from elevation −6 to the bottom were to be given two coats of red lead, followed by one coat of anticorrosive and one coat of antifouling paint. All the other gates were to be given three coats of a proprietary paint consisting of a hydrocarbon mixture. On account of delay in receipt of the damp-proof paints intended for use on the Pedro Miguel gates, some of these were painted with hydrocarbon paint from Miraflores and, conversely, a few of the Miraflores gates were painted with damp-proof paint. In all of these cases the third and fourth coats were applied by the Commission

forces. Due to impurities in the water of Gatun Lake, none of the paints, except the bitumastic which was applied directly to the metal on small sections of several of the gates at Gatun, has proved satisfactory, and the paint on those parts which are constantly under water is in very poor condition. The action of the gates in service is entirely satisfactory, the leakage at the quoin and miter posts being extremely small. The cost of the gates complete was $6,471,806.99, of which $5,632,942.38 were paid under the contract, and the balance of $838,864.41 was for inspection, painting, recess covers, fixed steel, special tracks, and services furnished the contractor.

Gate machines.—All the parts for the mechanical and electrical installation of the machines for operating the miter gates were emplaced. The 40 machines required at Gatun were completed on February 28, 1914, the 24 machines at Pedro Miguel on March 28, 1914, and the 28 machines at Miraflores on May 28, 1914. A number of tests were conducted to determine the conditions under which the most satisfactory operation might be obtained, and the results obtained show the advisability of reducing the duty of the motor, which has very little reserve power, by starting one gate ahead of the other by an interval of approximately 20 seconds. The benefit derived results from the fact that, with only one gate operating, when the gates are near the mitering position the entire area of the chamber is available for the storage of water displaced. The cost of the miter-gate moving machines complete was $822,410.03, of which $704,744.78 were expended under the contract, and the balance for installation.

Miter-gate forcing machines.—With the material of the miter-gate forcing machines on hand, their erection progressed with the completion of the gates. The 20 machines required at Gatun were completed on February 14, 1914, the 12 at Pedro Miguel were completed on March 27, 1914, and the 14 at Miraflores on March 26, 1914. No special tests were conducted during the year. The total cost of the machines was $57,200.16, of which $40,225.88 were expended under the contract, and the balance for installation.

The machinery for operating the hand rails on the gates was installed complete during the year. There are 36 machines at Gatun, 20 at Pedro Miguel, and 24 at Miraflores. The operation is satisfactory, both on local and remote control circuits. The total amount expended was $29,652.32, of which $17,078.58 were paid out under the contract and the balance for installation.

The installation of the pumps for unwatering the gates was completed during the year. There are 40 pumps at Gatun, 24 at Pedro Miguel, and 28 at Miraflores. The total amount expended was $28,516.31, of which $18,979.98 were paid out under the contract and the balance for installation.

The installation of the electrical appliances for operating the various gate machines was completed during the year. The total amount expended was $207,653.42, of which $132,326 were paid out under the contract and the balance for installation.

Rising stem valves.—The placing of the valves, stems, roller trains, and crossheads remaining to be done at the close of the last fiscal year was completed and the 116 machines required for their operation were erected and the electrical installation completed. Of the machines placed during the year 5 were at Gatun and 28 at Miraflores, making a total of 56 at Gatun, 24 at Pedro Miguel, and 36 at Miraflores. The mechanical and electrical work in connection with the installation of these machines was completed at Gatun on February 12, 1914, at Pedro Miguel on March 30, 1914, and at Miraflores on March 30, 1914.

Guard valves.—At the end of the fiscal year all guard valves and machines were erected in place at all the locks except at Miraflores. The six at Gatun were completed on April 25, 1914, six at Pedro Miguel on June 29, 1914, and those at Miraflores were 62 per cent completed at the close of the fiscal year. The tests made of the guard valves showed that the machines would not operate satisfactorily as originally designed, and a number of changes were made necessary. The most important ones consisted in providing an outboard bearing to the pinion shaft, which overcame the tendency of the pinion to get out of line with the main spur gear, and guide shoes for weights in the counterweight pits to overcome the slight eccentric load due to the weight of the roller train.

The amount expended on the rising stem and guard valves and their machines to the close of the fiscal year was $1,508,735.59, of which $1,127,725.38 were paid under the contract and the balance for installation.

Auxiliary culvert valves.—The mechanical and electrical work in connection with the installation of these valves and their machines was completed during the year, four machines being installed at Gatun and completed on March 10, 1914, four at Pedro Miguel completed on March 5, 1914, and four at Miraflores completed on March 31, 1914. The cost of the machines in place was $22,805.80, of which $16,062.84 were paid under the contract and the balance for installation.

Cylindrical-valve machines.—The setting of all the cylindrical valves was completed during the previous fiscal year and 41.6 per cent of the electrical work had been finished. The total cost for the machines aggregated $228,222.04, of which $161,290.79 were in payment of contracts for furnishing material and the balance for installation. During the year the remaining electrical work was completed on the 60 at Gatun on March 30, 1914; on the 20 at Pedro

Miguel on January 27, 1914; and on the 40 at Miraflores on February 27, 1914.

Chain-fender machines.—After the tests had been completed on the two sample chain-fender machines, the results indicated that they would carry out the work for which they were designed and arrangements were made to order the balance of the equipment. Of the 16 to be erected at Gatun, the mechanical work on 14 was completed with the exception of the chains; of the 16 at Pedro Miguel, the mechanical work on 7 was completed with the exception of the chains; and at Miraflores, of the 16, the mechanical work on 1 was completed with the exception of the chains. Work was in progress on all the units, with the exception of the 4 lower ones at Miraflores, where no work had been done. The electrical work, so far as practicable, progressed with the mechanical work. The manufacture of chain for the fenders has progressed rather slowly, but orders were placed for all the chains required, with one exception, before the close of the year. The total amount expended thus far was $830,726.89, of which $661,140.30 was for payments under the contract for delivery of the material, and $169,586.59 for erection.

The cost of inspecting the lock-operating machinery to June 30, 1914, was $167,926.06.

Spillway gates.—The spillway gates were placed in position by the construction divisions in connection with building the spillway dams. The mechanical equipment and electrical installation were completed on the 14 machines at Gatun on December 18, 1913. At Miraflores the mechanical work was completed on the 8 machines on October 13, 1913, and the electrical work on June 5, 1914. The spillway gates at Gatun have all been operated satisfactorily under full head, controlled from a switchboard in the hydroelectric station. The tests of the Miraflores gates indicated defects in the mechanical work, necessitating overhauling and correction. These changes were not completed at the close of the fiscal year. The total amount expended was $337,529.11, of which $236,045.26 were expended under the contract, and the balance for inspection and erection.

Towing-track material.—All the towing-track material purchased under the original contract was delivered previous to June 30, 1913. During the year tests with the locomotives brought out the fact that it was necessary to provide additional rack sections at the top and bottom of all inclines at the locks, and 606 feet of additional rack sections were made at the Balboa shops. At Gatun Locks 1,182 linear feet of rack section were laid, 3,438 linear feet concreted in, and a total of 4,082 linear feet completed, making a total completed to date of 22,185 linear feet. At the Pedro Miguel Locks 1,518 linear feet of track were laid, 3,901 linear feet concreted in, making a total

of 13,696 linear feet completed to date. At Miraflores Locks 4,007 linear feet were laid, 8,160 feet concreted in, making 9,104 linear feet completed during the year, or a total to date of 18,144 linear feet. Of the total amount to be completed, 54,365 linear feet, 99.3 per cent were completed at the close of the year. Conductor-slot material, consisting of steel and copper conductor rails, insulators, brackets, and cover plates, was laid, and during the year 12,485 feet were completed, or a complete total to date at Gatun Locks of 45,084 linear feet; at Pedro Miguel 21,760 feet during the year, or a total to date of 36,292 linear feet; and at Miraflores 22,232 feet during the year, or a total to date of 28,162 linear feet. For the conductors copper tee rails were used for all towing tracks, inclines, and crossovers, steel conductors being used on the return track. The installation of single and double crossovers and turnouts was completed during the year at all the locks. The total cost of all towing-track material installed was $1,182,044.06, of which $767,173.93 were expended under the original contract and $414,870.13 for inspection, installation, and chipping of the rack rails.

Towing locomotives.—As noted in the last annual report, a contract was entered into with the General Electric Co. for furnishing 40 towing locomotives of their design and manufacture, the first locomotive to be delivered by January 15, 1914, and four locomotives each month thereafter. Twenty-one locomotives have been delivered and are in operation. The total cost under the contract is $527,015 and there have been expended $301,859.21 on the contract and $22,329.40 for erection and alterations to the machines after their receipt. Tests so far made by actual service have not been sufficient to warrant an announcement that they are entirely satisfactory.

Illumination of the locks.—The exterior lighting of the locks was described in the previous annual report. The exterior lighting circuits at all the locks were completed except for five posts at Miraflores, where the erection of the posts has been delayed by the sand operations which were transferred to this point from Balboa to allow for the construction of the terminal docks. There were installed at Gatun 206 standards, 116 single arm and 90 double arm; at Pedro Miguel, 130 standards, 80 single arm and 50 double arm; at Miraflores, 163 standards, 96 single arm and 67 double arm. Suitable sockets, with lights, were installed for illuminating the operating tunnels and valve wells. The total amount expended to June 30, 1914, on the electrical lighting equipment of the locks was $126,234.52.

Remote control.—The General Electric Co. was awarded the contract for furnishing the lock-control switchboards for Gatun, Pedro Miguel, and Miraflores Locks. The original specifications of the Commission were departed from as to the general construction of the board and also with regard to the method of accomplishing the re-

quired interlocking of the control switches. The detail design of the board was left entirely to the contractor, the work being subject to the approval of the Commission's inspector in the United States. The switchboards are located on the second floor of the control houses and the interlocking racks on the mezzanine floor. The boards are designed to represent the locks in miniature, all machines being represented by individual control switches, and wherever it is important for the operator to know the exact position of the machines being controlled indicators are provided which operate in synchronism with the machines in the lock wall tunnels. With the exception of the cylindrical valve, auxiliary culvert valve, and miter forcing machines the operator is provided with means for having definite information with regard to the exact position of the valve or machine being operated by means of synchronous indicators, electrically connected, with transmitting devices mechanically connected with the large machines in the lock tunnels. The operation of the cylindrical valve, auxiliary culvert valve, and miter forcing devices is indicated by use of red and green lamps on the control board. Arrangement is also made on the switchboard by which the water levels in the lock chambers are indicated to the operator. The control board was completed at Gatun on May 9, 1914; at Pedro Miguel on June 26, 1914; and at Miraflores on June 25, 1914. The switchboards of all the locks have been satisfactorily used for remote control of the lock operations. The total cost of all lock-control switchboards was $108,079.50, of which $73,693.33 were paid out under the contract for the material, the balance representing expenditures for installation and inspection.

Hydroelectric plant.—The erection of the hydroelectric station continued under the Atlantic division until September 8, 1913, when the work was transferred to the building division of the quartermaster's department. With the exception of the doors and some of the carpenter work, the building was completed at the close of the fiscal year at a total division cost of $328,457.08. The installation of the equipment was continued during the year and was turned over to the operating force on June 18, 1914, without tests, which were made subsequently, and after correction of some of the defects the plant took over the load from the Gatun steam plant on July 13, 1914. The amount expended on the installation of the machinery was $300,355.60.

In connection with the power-transmission system there were constructed underground duct lines from the hydroelectric power house at Gatun to the locks and to the transformer substation at the point, at a division cost of $78,688.08; and from the Miraflores transformer substation to the Pedro Miguel and Miraflores Locks at a division cost of $108,005.82.

As noted in the previous annual report, it was decided to install for the transmission line an overhead system of 44,000 volts, extending from Balboa to Cristobal, and connecting the existing Miraflores steam-power station with the Gatun hydroelectric station, so that they may be operated separately or in parallel as necessary. Four substations are provided, located at Cristobal, Gatun, Miraflores, and Balboa. The excavation for the Gatun substation was begun on November 26, 1913, and the steelwork, furnished and erected under contract, was completed on February 19, 1914. The installation of the electrical equipment of the building has been governed by the progress made in building construction and at the close of the year was 37 per cent completed. The total amount thus far expended on the building is $145,717.92 and on the installation of the machinery $40,818.11. The Cristobal substation was installed for the purpose of furnishing power required by the coal-handling plant, the Mount Hope pumping plant, and the miscellaneous requirements in the vicinity of Cristobal. Excavation for this structure was begun on March 4, 1914, and the erection of the steelwork under contract was completed on May 6, 1914. The amount expended on the building construction was $111,858.01 and on the electrical installation $8,557.96. The Miraflores substation is being installed for the purpose of caring for the power requirements of Miraflores and Pedro Miguel Locks, and also for the purpose of serving as a step up transformer station for Miraflores steam plant. The foundation work was commenced on October 29, 1913, and the steelwork under contract completed March 9, 1914. The electrical equipment is 22 per cent completed. The amount expended thus far is $155,532.20, of which $103,509.04 were for building construction and $52,023.16 for electrical installation. The Balboa substation was located for the purpose of supplying power to Balboa shops, the air-compressor plant, dry-dock pumping plant, coal-handling plant, and Ancon pumping plant, as well as other local purposes. Work was begun on this substation on April 27, 1914, and the steelwork erected under contract was completed on June 27, 1914. Four per cent of the electrical equipment was installed. The total amount expended thus far is $49,173.84, of which $45,565.12 were for building construction and $3,608.72 for electrical installation. In order to supply power to the power house of the Darien wireless station, being constructed by the canal authorities for the Navy Department, arrangements have been made to install a small substation of 400-kilowatt capacity, tapping the transmission line and stepping the voltage down to 440 volts. Change in the location of the pumping plant from Miraflores to Gamboa has necessitated the installation of a substation at this location. In order to supply the necessary power in connection with the pumping plant, arrangements were made for the installation of two

500-kilowatt power transformers and the necessary equipment for stepping the 44,000 volt transmission line pressure down to 2,200 volts.

High-power transmission line.—Under a contract dated March 31, 1913, 794 double-track span bridges and 20 single-track span bridges were to be delivered on the Isthmus. These have all been erected in place with the exception of five special towers which will be required at the Cristobal and Balboa terminals, and one bridge at Cristobal. Under contract there have been purchased and received to date for the transmission line 1,562,208 feet of 2/0 Brown & Sharpe gauge stranded copper and 512,065 feet of five-sixteenths inch copper-clad wire. At the close of the fiscal year 1,408,443 feet of 2/0 conductor cable were erected. The total amount expended on the transmission line was $1,014,383.29, of which $701,222.62 were covered by contracts and the balance expended on inspection and installation.

Cables.—The total amount of cable on order, received and installed up to the end of the fiscal year was 2,659,403 feet, of which 1,531,528 feet is lead sheathed and 1,127,875 feet is rubber covered, double-braid wire and cable. At the close of the fiscal year 1,462,684 feet of lead-covered cable had been pulled into the ducts and 911,816 feet of rubber covered had been used for the conductor slot feeds, control connections, etc.

Telephone system.—An elaborate system of telephone communication has been designed for the operation of the locks and a contract awarded for the complete equipment. It is to consist of three subdivisions: First, that required for the control of vessels passing through the locks; second, that required in the upkeep and maintenance work in the lock tunnels; and third, that required for local public service. The total amount of the contract is $6,949.35.

Emergency dams.—The emergency dams at Gatun were completed before the close of the last fiscal year, but the final acceptance tests had not been finished. During the year the two dams at Gatun were accepted and the dams at Pedro Miguel and Miraflores were finished and accepted, the first at Pedro Miguel on September 16, 1913, and the second on October 17, 1913; at Miraflores the first was completed and accepted January 14, 1914, and the second on February 7, 1914. A test was made at Gatun in May, 1914; the dam was swung, girders and gates lowered, and the pipes driven to close the spaces between the ends of the gates. The upper lock was then filled with water to lake level, the upper guard gates and upper operating gates were opened, and the intermediate and lower gates of the lock closed. The upper lock was emptied through the culverts until the water level was below the guard-gate sill. This brought the full head of 47⅔ feet on the emergency dam, which was found to have a leakage of 950 cubic feet per second. This leakage produced no dangerous

current in the lock, and it would have been easy to close any of the lower gates in the face of the stream. Another purpose of the test was to determine whether the emergency dam could be used in lieu of a caisson for unwatering the locks so as to permit access to the gates for painting, but the leakage was too great to use the dam, as it at present stands, in lieu of the caisson. Experiments are being made to devise a means of stopping the flow. The total amount expended for the emergency dams was $2,206,984.67, of which $1,958,329.90 were covered by the contract for delivery of the material and its erection, and $248,654.73 for inspection and other expenses assumed by The Panama Canal under the contract.

Floating caissons.—A description of the caissons for closing the entrance to the locks, including the pumping plant for unwatering the lock chambers, was given in the last annual report. Bids were invited on May 21, 1913, for furnishing the material, constructing and delivering the caisson on the Isthmus, and there were two bidders, the lowest bidder offering to construct the two caissons and deliver them at Balboa for the sum of $648,300, and the price for one was given at $330,760. A contract was entered into for one caisson under date of August 22, 1913.

Pontoon bridge.—In order to maintain communication across the canal with the west side, it was finally decided to construct a pontoon bridge at Paraiso for carrying the Panama Railroad. This bridge was constructed at the expense of the Panama Railroad Co., but the design and construction were undertaken by Commission forces. The approaches and abutments were built under the direction of Mr. A. S. Zinn, resident engineer; the pontoon and superstructure by the dredging division under Mr. W. G. Comber; the track work by the Panama Railroad Co., and the operating machinery by the first division of the chief engineer's office. The bridge revolves about a pivot at one point, similar to pontoon bridges successfully operated for many years on the upper Mississippi, plans for which were furnished through the courtesy of Mr. C. F. Loweth, chief engineer of the Chicago, Milwaukee & St. Paul Railway Co. The pontoon is 378 feet long over all, 55 feet wide, and 6 feet 3 inches deep at the center line. The base of the rail is 33 feet above the bottom of the barge, or 30 feet above the water level. The apron girders are 64 feet long, resting on hinged supports at both ends, and consist of spare lock gate parts. Arrangement is made at each end of the girder for automatically providing for a variation of 6 feet in the water level of the canal. When the bridge is turned the girders are lifted clear of the concrete piers by an electrically driven mechanism and temporarily supported by blocking on the ends of the barge. The bridge is revolved by means of a 1-inch anchor chain fastened at each bank, which passes around an electrically driven wildcat on the deck of the pontoon,

near the west end. The mechanism for lifting the apron girders and for turning the bridge, and also for operating the rail lift, the rail latches, and the main latch at the west pier, is operated from a central panel. The total cost of the bridge to June 30, 1914, was $218,331.78.

Operation of locks.—The lockages made during the fiscal year gave an opportunity to try out the locks and their machinery. The first one at Gatun was made on September 26, 1913, when the tug *Gatun* was put through the Gatun Locks, followed on October 14, 1913, when a part of the dredging equipment was locked through the Pacific locks to the lake level. From these dates throughout the year various craft belonging to The Panama Canal were passed back and forth as the necessities of the work required, in addition to the tows that were instituted for handling freight from the Balboa terminals to Colon and Cristobal for the Panama Railroad Co. To try out the towing locomotives, the Panama Railroad steamers *Allianca* and *Ancon* were locked through Gatun Locks and returned, and through the courtesy of the agent of W. R. Grace & Co. the *Santa Clara* was locked through the Pacific Locks and returned.

The operation of the locks has developed certain facts in regard to the action of flowing water which had not been anticipated. As previously noted, the gates of the upper locks of each flight and of the Pedro Miguel Locks are duplicated. The upper pair of gates is called the guard gates and the lower pair of the upper two the lock gates. At the lower end of the locks the upper pair of gates is called the safety gates and the lower pair of the two the lock gates. The space between the guard gates and the lock gates is regulated by an auxiliary culvert, while the space between the safety gates and the lower gates is regulated by a T culvert. When the water in the upper lock is low and the valves are open there is a sudden drop of the water level in the forebay. This is more noticeable at Pedro Miguel, where the canal above the forebay is relatively narrow, than it is at Gatun and Miraflores, where the forebay opens immediately into the lake. This drop is faster than can be followed by the water in the space between the guard and upper gates, and the result is a reverse head on the guard gates, causing them to open at the miter. This reverse head lasts but a short time.

In the first lockages the T culvert regulating the space between the lower and safety gates was in free communication with the side wall culvert near its lower end, but above the lower valves. When the upper valves were raised the water in the space between these gates rose faster than in the lock; consequently there was a reverse pressure on the safety gates, causing them to open at the miter, the pressure being sufficiently great to compress fully the springs in the gate-maneuvering struts. Due to the possible danger of crippling

the moving apparatus by such reverse stress, the valves in the T culvert were partially closed, choking the communication between the side-wall culvert and the space between the gates. By experimenting, a degree of closure was reached which caused the water in the space between the culverts to lag behind the water in the lock when filling, and at the same time to fall rather more rapidly when emptying. In this way a positive pressure was always kept against the safety gates. With the use of both side and center wall culverts, as the rapidity with which the water level in the lock changes is greatly increased, a different adjustment will be necessary.

When the valves in the side culvert are raised and the water enters the lock the flow of water is greater through those openings in the laterals which are nearest the middle wall than through those nearer the side culvert. As the water rises in greatest volume next to the middle wall, there results a slight slope of the surface toward the side wall. When both side and middle culverts are used no such action is noticeable. The first gush of water from the side culverts appears to come from the highest laterals and then successively from the others. So far as can be ascertained, however, it can not be stated that the discharge is greatest from any one of the laterals.

In filling or emptying a small canal lock the water levels approach each other with a rapidity depending upon the square root of the diminishing head. Toward the end of the operation the change in level becomes slower, and the flow of water is supposed to cease either just before or at the equalization of the levels. Frequently the gates are opened with a very slight head against them to avoid the loss of time involved in waiting for the head to vanish entirely. In filling or emptying the locks of The Panama Canal there is a noticeable overtravel of the water, so that the water in the chamber which is filled rises slightly higher than the level in the chamber from which the water is drawn, and the gates separating the chambers become subjected to a reverse head. At Pedro Miguel it is noticed that the water rises from 0.3 to 0.6 of a foot higher than the water in the forebay, tending to throw the upper gates open. The difference in head is of short duration, but is very noticeable, and is taken as an indication of the instant when the apparatus for opening the gates should be put in motion. This acts as a safety device to the motors which operate the gates.

In the annual report of the Isthmian Canal Commission for 1911 is described the method used for overcoming differences in pressure on the lower gates at the lower lock at Miraflores and Gatun, due to the difference in density of the water above and below the gates, in consequence of which the culverts were turned up at the outer end so as to reduce the pressure to a manageable quantity. It is possible

that the overtravel of the water from the emptying lock into the tail bay may result in continuing the flow of the fresh water through the culvert beyond the point at which in theory it should cease and, therefore, in obviating the danger of the resultant pressure. However, no trouble is experienced from the resulting pressure against the lower gates. The difference in density of the water above and below the gates is, however, noticeable in another way. When the lower gates are opened the fresh water rushes out with considerable velocity on the surface of the salt water below, and there is a corresponding rush of salt water along the lower strata. This current continues for a considerable time and has a noticeable effect on vessels leaving the lock, sheering them away from the middle wall as soon as they pass the angle of the side wall.

The slope given to the water in the lock by use of the side culverts has already been noted. The same effect was noted during the filling of the lowest lock with fresh water when the lower gates have been left open long enough to insure salt water filling the lock. The slope is from the middle wall so that the ship moves to the side wall and the towing locomotives are unable to hold a large vessel central in the lower lock during the entire process of filling when the side culvert only is used.

As noted in previous annual reports, in the formula for filling and emptying the locks the coefficient of flow C, used to determine the real velocity, was assumed at 0.65, this being slightly more favorable than experience at other locks has shown to be readily obtainable, but the nature of design and construction warranted the assumption. From experiments made at Pedro Miguel when the lake level was at reference 84.8 and the water in the lock was at reference 50.9, the value of C for the side culvert, with both valves open, was determined to be 0.886, much more favorable than was anticipated. Similar observations, using only one valve, were made both at Pedro Miguel and in the upper lock at Gatun as a check, and the value of C was found to be 1.177 and 1.272 at the two locations, respectively. The value of the coefficient for emptying the lock at Pedro Miguel is somewhat less favorable than that for filling, the coefficient C for the side culvert being found to be 0.804 when both valves were used. At Gatun and Miraflores, where the culvert is turned up at the discharge, the coefficient of flow for emptying the lower lock is about 8 per cent less than through the level discharge at Pedro Miguel. When the middle wall culvert is used in combination with the side culvert the time of operation is greatly reduced. The Pedro Miguel Lock can be filled or emptied in about eight minutes without causing too great a disturbance in the chamber. Observations have not yet been made with the middle culverts at Gatun and Miraflores.

ELECTRICAL DIVISION.

The operation of the various power plants was consolidated on April 1 to comprise the electrical division, under Capt. W. H. Rose, United States Army. It includes the operation and maintenance of the steam-driven electric power plants at Gatun, Miraflores, Empire, and Balboa, and all the substations, transmission, and distribution lines connected with the power plants; the operation and maintenance of the air-compressor plants at Empire and Balboa; construction, operation, and maintenance of all building and street lighting systems in the Canal Zone; operation and maintenance of the electric cargo-handling cranes on the Panama Railroad pier at Balboa; the installation of all electrical equipment of the new Balboa shops of the mechanical division; and the construction of permanent underground conduit systems for the permanent towns of the Canal Zone.

One of the three 1,500 kilowatt vertical turbo generator sets and two 410 high-pressure water tube boilers were removed from the Gatun station for installation at the Miraflores power plant. The new unit was completed into place on June 1, 1914. This gives the Miraflores plant a capacity of about 6,000 kilowatts, the same as the hydroelectric station. The total amount of power in kilowatt hours generated during the year was:

6,824,556 kilowatt hours at Gatun, at a cost of $0.0175 per kilowatt hour.
16,352,732 kilowatt hours at Miraflores, at a cost of $0.0135 per kilowatt hour.
2,327,877 kilowatt hours at Empire, at a cost of $0.0240 per kilowatt hour.
138,143 kilowatt hours at Balboa, at a cost of $0.1503 per kilowatt hour.

The air-compressor plants operated during the year were at Empire and Balboa, and the Rio Grande plant was operated until November 1, 1913. They furnished compressed air for the excavation work at Culebra, Rio Grande, and Gold Hill; for the mechanical division shops at Empire, Balboa, and Paraiso; for the work of the division of erection at Pedro Miguel Locks, Ancon quarry, and for the work in the vicinity of Sosa Hill and the new dry dock at Balboa. The output of the air-compressor plants, in cubic feet of free air compressed to 105 pounds pressure, was 2,739,650,533 cubic feet at Balboa, at a cost of $0.0484 per thousand feet; 2,908,900,165 cubic feet at Empire, at a cost of $0.0351 per thousand feet; and 372,393,512 cubic feet at Rio Grande, at a cost of $0.0282 per thousand feet.

The removal and rerection of wooden buildings from various points along the line to the Ancon-Balboa district necessitated the removal of the wires and fixtures, and later rewiring, of a total of 178 buildings. In February, 1914, two temporary substations were

completed, one at Miraflores and one at Balboa, each of 1,500 kilowatts capacity, for 11,000-volt transmission between these points. In May, 1914, another 11,000-volt transmission line was completed between Miraflores power plant and Cucaracha, supplying power to the relay pumps and the Gold Hill hydraulic plant. Additions and alterations necessitated a change in the pole lines for construction, amounting to about 15 miles. About 25 miles of pole line to supply power to the range lights and beacons of the lighthouse subdivision were constructed, the lighthouse subdivision erecting the poles and the electrical division installing the wires and transformers and making connections to the lights and beacons. Duplicate 2,200-volt armored cables, supplying power to Agua Clara pumping station, were installed between that station and the Gatun substation. In all about 12,900 feet of conduit, having 83,000 feet of duct incased in concrete, and 40 concrete manholes were completed during the year for connection between Pedro Miguel telephone exchange, Tivoli Hotel, the new administration building at Balboa, and the latter with the Balboa substation. A large amount of conduit work was done in connection with the electrical work in the permanent buildings and the Balboa shops. The eight 4-ton alternating current cargo-handling cranes, five 4-ton direct current cranes, and one 20-ton direct current French crane, all on the Panama Railroad pier at Balboa, were operated and maintained. These cranes handled practically all commercial freight crossing the Isthmus in either direction. The total number of vessels loaded and unloaded during the year was 413.

MUNICIPAL ENGINEERING.

As already noted, the division of municipal engineering was formed by consolidating the division of public works and the municipal work in the three construction divisions on July 16, 1913, and was placed in charge of Mr. George M. Wells as resident engineer. The division is divided into five principal sections: The northern district embraces all municipal construction, maintenance, and operation work, exclusive of the operation of filtration plants, from and including Colon to Darien, a distance of 25.27 miles; the southern district embraces similar work from Darien to Balboa, including the city of Panama, a distance of 22.34 miles; the waterworks for the southern end of The Panama Canal embrace the construction of the purification works at Miraflores, pumping stations at Gamboa, Miraflores, and Ancon, reservoirs, and the laying of new mains; the fourth subdivision embraces the operation and care of purification plants and the care and analyses of all Canal Zone water supplies; and the fifth subdivision embraces all work of design for the division.

The improvements in the city of Colon in progress at the close of the previous fiscal year and being paid for from an appropriation made by Congress of $800,000, were completed in the early part of August, 1913, at a final cost of $520,212.57.

The plant at Gatun for the manufacture of concrete pipe was operated until May, when the plant was closed down, there being sufficient on hand for all purposes. The usual maintenance work in connection with the reservoirs of the northern district was performed, and the level of the water in the Brazos Brook Reservoir was kept at about the same elevation during the dry season by letting water from Gatun Lake through the tunnel constructed during the previous year. The new purification plant located at Mount Hope and furnishing water to the city of Colon, Cristobal, and adjacent district was completed and placed in service in February, 1914, and has been successfully operated since that date. The total division cost of the plant was $292,198.10.

In addition to maintenance work in the southern district, a considerable amount of construction work was undertaken, including streets, water and sewer systems, and roads in the new silver town of La Boca, storm sewers in the gold town site of Balboa, water and sewer systems and streets at Pedro Miguel, the installation of water and sewer systems for the Darien radio station, and work in connection with an addition to the city of Panama, for which the Republic of Panama made a special appropriation of $76,000.

The question of providing a permanent, adequate, and suitable water supply for the towns of the Canal Zone from Pedro Miguel south has been under consideration for some time. The demands were greater than could be supplied by the Rio Grande Reservoir, and with the depopulation of the Canal Zone, which contemplated the elimination of all towns on the west side of the canal, a plan was prepared for utilizing Camacho and Rio Grande Reservoirs, connecting them by a pipe line, and increasing the capacity of the Rio Grande Reservoir by raising the dam, diverting the railroad for the purpose. With the adoption of the policy of quartering the troops on the west side of the canal, utilizing the old canal buildings for the purpose, together with the fact that the rainfall had not been sufficient to raise the level of the water in the reservoir to its full height, the whole subject was taken up anew in March, 1913. Five projects were presented, the cheapest of which contemplated the use of water from Miraflores Lake, and this was adopted. It contemplated the laying of the necessary mains, the construction of a purification plant of the rapid mechanical gravity type on Miraflores Hill, and the construction of a high-service reservoir on the side of Ancon Hill, all to be based on a nominal maximum capacity of 12,000,000 gallons of filtered water per day. At the time that the use of Miraflores Lake

water was considered, the possible objection was advanced that the chlorine content, by reason of the operation of Miraflores Locks, might increase beyond 75 to 100 parts per million, but at the time it did not seem possible that this would occur, at least for a period of years, on the assumption that intimate diffusion between the salt water admitted by the locks and the fresh water of the lake would not be rapid, more especially in view of the fact that water could be pumped from one of the fresh arms of the lake. At any rate, the enormous saving that would result seemed to warrant adopting the Miraflores Lake project.

In January, after the pumps from Cocoli had been transferred to Miraflores and increased in capacity to take care of the demand, chlorine sampling stations were established in the lake, and it was discovered that with the continued operation of the locks the chlorine content steadily rose. By February it became apparent that constant diffusion was taking place throughout all areas of the lake in general, as well as its arms, and went as high as 15 per cent salt water. In order to bring this down, a temporary pump station was installed at Pedro Miguel and approximately 4,000 gallons of water per minute were pumped from Culebra Cut north of the locks and discharged into Miraflores Lake immediately in front of the temporary pumping station. While this reduced the chlorine content of water going to Panama, it increased the turbidity of the water due to the condition in the Cut. As the result of these observations, it became evident that Miraflores Lake would be impracticable for use as a source of water supply for the southern end of the canal, and it was therefore decided to move the pumping station to the Chagres River at Gamboa, the water to be taken from this point through 30-inch to 36-inch cast-iron mains laid along the line of the Panama Railroad to the purification plant in course of erection on Miraflores Hill. Before final action was taken an effort was made to reduce the chlorine content by drawing off the water from Miraflores Lake through the locks and admitting fresh water through Pedro Miguel Locks, but the results were not satisfactory. Work was commenced on the purification plant located on Miraflores Hill on August 1 and steam-shovel and hand excavation was completed on January 28 by the removal of 91,233 cubic yards at a division cost of $0.4933 per cubic yard. For the high-service reservoir at Ancon there were laid 1,477 cubic yards of reinforced concrete at a division cost of $30.1455 per cubic yard, and in the purification plant on Miraflores Hill there were laid 5,656 cubic yards of reinforced concrete at a division cost of $24.6506 per cubic yard. The total amount to be expended for the new water works in the southern district was estimated at $1,261,000, division cost; the total amount expended at the close of the fiscal year was $703,585.05.

METEOROLOGY AND HYDROGRAPHY.

Until April 1, 1914, the meteorological and hydrographic sections continued under separate heads; on that date they were consolidated into one division under a chief hydrographer reporting to the engineer of maintenance, and a reduction of three gold men was effected.

But few changes were made during the year in the meteorological stations operated. Wind records were discontinued at Sosa Hill on January 1, 1914; the wind station was moved from Guarapo Island to the administration building at Gatun on December 14, 1913; and a new wind station was established at Gamboa on November 11, 1913. Evaporation records at Brazos Brook were discontinued on April 1, 1914. A rainfall station was established on the Siri branch of the Trinidad River in January, 1914, and a similar station was established near the head of the Gatun River branch of Gatun Lake in May, 1914. Records from these stations were obtained for use in estimating the monthly rainfall over the lake watershed. Seismic disturbances during the year were more numerous and severe than in any previous year since American occupation, 87 distincts shocks being recorded at Ancon. Practically all of the shocks seemed to originate in the vicinity of the lower coast of Los Santos Province, approximately 115 miles southwest of Ancon. The most violent shocks occurred on October 2, 1913, and May 28, 1914; in each instance a maximum amplitude of 75+ was recorded, when the recording pens were thrown off. The shock of May 28 resulted in slight damage to the new administration building then in course of erection at Balboa Heights, but with this exception the canal works suffered no damage from these shocks. For use of the Fortification Board, maximum and minimum temperatures were recorded on the Miraflores dumps. Duplicate automatic tide registers were continued at Balboa and Colon.

The main hydrographic features of the year were the filling of Gatun and Miraflores Lakes and the subsequent control of their water levels by means of spillway gates, auxiliary culvert valves, etc. The total yield of the Gatun Lake watershed for the calendar year 1913 was 77 per cent of the yearly mean since May, 1908, and 70.3 per cent of the mean for the 24-year period 1890–1913. There were no large freshets during the year.

The average temperature for the calendar year 1913 was slightly above normal. April was the warmest month at Ancon and Culebra and June was the warmest month at Colon. A temperature of 98° F. recorded at Culebra on April 24 established a new high temperature record at that station.

The rainfall during 1913 was below normal at all stations except Brazos Brook, Colon, and Porto Bello. The heaviest precipitation

for the year was 171.19 inches at Porto Bello, and the minimum was 59.54 inches at Balboa.

The wind movement over the Canal Zone for the year was slightly above normal. North and northwest winds prevailed. March was the windiest month at all stations, and November the month of least wind movement.

Between June 27 and December 27, 1913, the Gatun Lake level rose from plus 48.22 to plus 84.7. Since the latter date it has been controlled by the spillway gates between 85.14 and 84.13. During the year it was possible for the first time to determine the velocity which would be caused in the canal prism at Gamboa by floods in the upper Chagres. On May 26, with a discharge at Alhajuela of 16,000 feet per second, the velocity at Gamboa Bridge was 0.65 mile per hour, the lake level being at 84.92 and rising to 84.98. On June 30, with a discharge at Alhajuela of 20,050 feet per second, the velocity at Gamboa Bridge was 1.05 miles per hour, with the lake at 84.88 to 84.86.

GENERAL SURVEYS.

In addition to setting corner and grade stakes for building lots in Colon and Panama, setting grades for fill in Colon, making surveys and preparing maps of estates and parcels of land in dispute before the joint land commission, making surveys and inspections for the department of law, and performing a considerable amount of miscellaneous work, the general-surveys section repaired and removed certain Zone triangulation stations, made surveys and maps for other departments of The Panama Canal, made locations for the radio stations being constructed for the Navy Department, took readings on settlement hubs in the Gatun Dam, and performed the necessary work in connection with the precise level bench marks and monuments for the tide-guage registers at Colon, Gatun, and Miraflores.

AIDS TO NAVIGATION.

The construction and placing of lights and beacons was continued during the year and, with the exception of the light at the extremity of the west breakwater and the construction of six which can not be placed until the work in connection with the slides in Culebra Cut is completed, all the aids to navigation were finished and turned over to the superintendent of canal transportation, for maintenance and operation, on June 16, 1914. The design for the west breakwater light was for rather an elaborate structure founded on a caisson which had been built during the previous fiscal year. During the year just ended it was taken to the site that it was to occupy and, in sinking it by admitting water through valves at the bottom of the caisson, the valves could not be controlled from above, it took a sheer,

and the caisson sunk in a position which prevented its use for the purpose intended until it could be straightened. After expending $8,602.22 in the attempt, it was abandoned as was also the design. The total amount expended in completing the entire system of beacons, lights, and buoys to date aggregate $514,878.81, exclusive of general expenses.

DRY EXCAVATION.

The excavation for the canal prism in the dry, uncompleted at the close of the previous fiscal year, embraced the Culebra Cut from Gamboa to Pedro Miguel Locks, the channel between Pedro Miguel and Miraflores Locks, and the channel below Miraflores Locks to the dike which excluded the waters of the Pacific. As noted in the previous annual report, a decision had been reached to admit water to the Cut by blowing up the dike at Gamboa on October 10, 1913, and to complete the excavation that remained by dredges. With this end in view, the excavation in Culebra Cut was carried on during July with an average of 40.74 steam shovels, in August with an average of 34.65 steam shovels, and in September with an average of 14.62 steam shovels. These shovels worked not only in the Cut proper but on the upper reaches in the vicinity of Culebra and on the east side opposite Lirio. After the water had been admitted to the Cut from 5 to 2 shovels worked on both the east and west bank in the vicinity of Culebra so as to lighten the load. The work on the east bank was continued until April 1, 1914, and on the west bank intermittently until June 15, 1914. The last movement of any considerable amount occurred on the west side at Culebra just as the steam shovels were withdrawn. There were removed during the year a total of 3,122,702 cubic yards of material, of which 2,205,847 cubic yards were classified as rock, at a division cost of $0.5661 per cubic yard. Due to large credits for material recovered after the completion of the work, such as rails, ties, etc., amounting to about $260,000, the above figures do not represent the real cost of the work performed during the year which, eliminating these credits, was $0.6492 per cubic yard. Work continued on Cucaracha slide, Culebra slides, Hagan's slide, Lirio slide, and the powder-house slide until steam-shovel operations were suspended and there were removed from these slides 2,635,902 cubic yards; in other words, 84 per cent of the material removed from the Cut was due to slides. The total amount of material removed in the dry from Culebra Cut, from the beginning of American operations to June 15, 1914, aggregated 110,261,883 cubic yards at a division cost of $0.7066 per cubic yard; of this amount 25,206,100 cubic yards were removed because of slides, or 22.86 per cent. This was an increase of 4,940,100 cubic yards over that estimated in the annual report for 1912. Steam-shovel opera-

tions in the Cut proper were permanently suspended on September 10, 1913, and at that time it was estimated that 600,000 cubic yards of material remained to be removed by dredges from the Cut section within the original limits of the canal, exclusive of slides and the inclines at the north and south ends of the Cut. Practically all of this material lay between Cucaracha slide and a point about midway between Culebra and Empire.

To prevent possible damage to the canal due to the velocity of current caused by the difference in head between Gatun Lake level and the bottom of the Cut, water was admitted through the 24-inch pipe extending into the lake under Gamboa Dike, these pipes remaining from the old pumping plant located in the vicinity to take care of the drainage water to the north of the divide. This was done at 9 a. m. on October 1. Work on drilling the dike at Gamboa preparatory to its demolition was begun in the latter part of August; the holes were loaded and were fired on October 10 at 2 p. m. In accordance with an arrangement made two or three days beforehand, the blast was fired by President Woodrow Wilson, at Washington. This was effected by using the land telegraph to Galveston, Tex., and connecting it there with the Central & South American Cable Co.'s submarine cable and land lines, which, by employing the company's transisthmian cable, furnished a connection to a local circuit in the vicinity of the dike. When the President depressed the lever, the current was relayed from point to point along the route and was eventually transmitted to the local circuit, closing it and tripping a weight attached to the handle of a switch. The weight threw the switch, setting off the blast. The result of the explosion was a clear opening 125 feet wide through which water from Gatun Lake flowed in sufficient volume to complete the filling of Culebra Cut from the dike to Cucaracha slide in about two hours' time. Prior to dynamiting the dike the water in the Cut was about 6 feet below the level of the lake.

On October 10, after the blowing up of Gamboa Dike, an effort was made to dynamite a passage through the Cucaracha slide in order to flood the Cut between the dike and Pedro Miguel Locks. Though steam shovels had been at work on the slide with a view to securing a passage through it, on the cessation of this work the movement continued and completely blocked the channel. The attempt to open a passage by dynamite was not successful, and it was not until October 12 that a stream of water was gotten through and the area to the south of the slide began to fill. The dredges reached Cucaracha slide from the north end on October 20 and from the south end on October 24. The Gamboa Dike was attacked by dredges immediately after the explosion. A channel was finally dredged through Cucaracha slide, so as to permit the passage of the dredg-

ing fleet from one side to the other, on December 13. With the exception of a small pocket slide in the vicinity of Cascadas, the admission of water to the Cut has thus far had no bad effects; nor has there been any perceptible tendency for the presence of water to produce slides.

In the central division a total of 44.5 miles of track was removed during the period July 1 to October 10, a total of 33.7 miles were laid, and a total of 294.81 miles shifted.

The sluicing operations to the north of Gold Hill and to the rear of Cucaracha slide were continued during the year and resulted in the removal of 1,384,455 cubic yards of rock and earth, at an average division cost of $0.1997 per cubic yard. This material was carried by flumes into the valley to the east of the canal.

Material removed in the dry from Culebra Cut was wasted at different localities, the bulk of it going to Balboa waste dumps, where 1,017,596 cubic yards were deposited, and on the dumps along the relocation of the Panama Railroad, where 920,748 cubic yards were placed. The balance was used largely in fills at various points south of the Cut.

South of Pedro Miguel Locks material amounting to 306,700 cubic yards was excavated by the fifth division. Of this, 20,510 cubic yards were from the channel south of Pedro Miguel Locks and 286,190 cubic yards from the prism south of the Miraflores Locks. The average division cost was $0.5134 per cubic yard. The material was used as a back fill to the locks and for sloping the Miraflores Dam.

On account of material recovered at the close of the work, credit was given aggregating about $79,000, so that the actual cost of dry excavation during the year was $0.7709 per cubic yard. The total amount excavated in the dry from Pedro Miguel to the sea since the beginning of the work aggregated 4,819,969 cubic yards, at a division cost of $0.6755.

The berm and chamber cranes on the west side of the locks were taken down and stored; the four berm cranes, which formed a part of the concrete-handling plant during the construction of the Pacific locks, will be used in connection with the coal-handling plant at Balboa.

Steam-shovel work south of Pedro Miguel Locks was stopped in August and south of Miraflores Locks in September, and steps taken to remove all tracks that remained within the limits of the canal channel. The last remaining barrier at the Pacific end of the canal was dynamited at 9.30 o'clock August 31, 1913. This dike, composed of a trestle fill of rock and earth, prevented the water from the sea level from entering the steam-shovel cut, 5,000 feet long, 500 feet wide, and 46 feet below mean tide, extending to Miraflores Locks. The Rio Grande diversion was turned into this pit on August 23,

but the depth of water had only reached about 15 feet by August 31. About 37,000 pounds of 45 per cent and 60 per cent dynamite were used, the charge being placed in 541 holes at an average depth of 30 feet. At the time of the explosion the water in the channel south of the barrier was nearly at low tide. The dynamite tore a gap in the dike about 100 feet wide, but as the bottom of the gap was still at some height above the existing tide level, no water passed through until high tide, at 1.35 p. m. At 3 o'clock, 1 hour and 25 minutes after the water first began to flow over, the level in the inside channel was that of the outside channel, while the gap had been widened to 400 feet or more.

As noted in previous annual reports, there were two low places in the perimeter of Gatun Lake which were to be raised in order to avoid all possibility of the waters of the lake escaping. One of these was in the vicinity of Gatun, and an embankment was built across it by the forces of the Atlantic division. This was in a ravine at the headwaters of Las Guachas Creek, where the natural elevation was 85.7 feet above sea level. A fill about 350 feet long and containing approximately 4,117 cubic yards was made by means of mule-team scrapers, borrowing from adjacent hills, which raised the surface to elevation 105, with a crown width of 15 feet. Under date of November 28, 1913, a contract was made for building an earth dike at Cano Saddle No. 4, along a ridge about 12 miles southwest of Gatun, to raise the rim of Gatun Lake at that point to 105 feet above sea level. The estimated amount of material involved was 71,500 cubic yards, and the contract price was 68 cents per cubic yard, embankment measure. The work was completed in May, 1914. The payments to contractor will aggregate $48,950.50. This saddle is between the headwaters of the Siri River, a tributary of the Trinidad, and the Lagarto River, which flows into the Caribbean Sea. The surface of the earth at the lowest point was 87.4 feet above sea level. The fill is approximately 900 feet long between the 105-foot contours on knolls at the ends of the saddle. It is 15 feet at the top, with a slope of 1 on 3 on both sides.

DREDGING.

The dredging division continued in charge of Mr. W. G. Comber as resident engineer, and was subdivided into two districts, the first extending from deep water in the Pacific to Gamboa, and the second from Gamboa to deep water in the Caribbean.

In the first district, between Pedro Miguel Locks and the sea, there were removed 5,364,816 cubic yards, of which 3,329,072 cubic yards were taken from within the canal prism and the balance was auxiliary work. Of the amount removed from within the canal prism, 1,186,432 cubic yards were of rock. Of the rock excavated, 146,477

cubic yards were drilled and blasted by the drill barge *Teredo* and 60,832 cubic yards were broken by the rock breaker *Vulcan*. The remainder includes rock which had been drilled by well drills and blasted in previous years and material which could be handled by the dredges without mining. The average cost of prism excavation was $0.2578 per cubic yard. Active operations began in Culebra Cut on October 23, 1913, and continued throughout the year; a total of 3,432,363 cubic yards were removed, of which 919,655 cubic yards were of earth and the balance rock. The average cost was $0.5194 per cubic yard. Of this amount, 865,015 cubic yards of earth and 1,557,360 cubic yards of rock were removed from Cucaracha slide, at an average cost of $0.4730 per cubic yard. Pipe-line dredges, with the assistance of a relay, pumped over the west bank of the canal into the Rio Grande Valley 684,514 cubic yards of earth and 77,880 cubic yards of rock, at an average cost of $0.2773 per cubic yard. Cucaracha slide has been very active since dredging operations started, the daily movement averaging about 2½ feet. On June 30, 1914, the total area of the slide was 60.4 acres, 44.6 acres active and 15.8 acres without motion. Dredging was done during four months of the year in Miraflores Lake, removing 159,817 cubic yards of earth from the canal prism, at an average cost of $0.3179 per cubic yard.

In the second district 6,544,192 cubic yards were removed during the year, of which 3,692,576 cubic yards were removed from within the canal prism, 574,630 cubic yards from old French dump in Limon Bay, and the balance was auxiliary work. The average cost of prism and French dump dredging was $0.1717 per cubic yard. Of the amount removed from the canal prism, 158,994 cubic yards were of rock. Of the total amount taken out, there were removed between October, 1913, and February, 1914, 507,195 cubic yards of earth and 5,035 cubic yards of rock from the canal prism just north of Gamboa, from what was formerly known as Point No. 1.

In connection with the Atlantic terminals the dredges removed 18,286 cubic yards of earth and 16,015 cubic yards of rock from the site of the bridge crossing the French canal south of the dry dock, 117,289 cubic yards of earth from the approach channel, 275,993 cubic yards of earth and 46,360 cubic yards of rock from the new Piers Nos. 7, 8, and 9, and 181,709 cubic yards of earth and 213,325 cubic yards of rock from the coaling station. The average cost of excavation at these terminals was $0.3646 per cubic yard. Seventeen thousand cubic yards were placed in the fill for the substation and 304,411 cubic yards were placed in fills for bridge foundations, coal basins, and yards at the coaling station.

At the Pacific terminals the dredges removed 1,919,003 cubic yards of earth and 7,964 cubic yards of rock, of which 1,831,711 cubic yards of earth were handled by pipe-line dredges and relays and placed in

fills for reclaiming swamp land. The average cost of this work was $0.1655 per cubic yard.

A considerable amount of miscellaneous dredging was also done, making the total removed by the entire dredging fleet, including yardage of sand and gravel reclaimed, 15,341,371 cubic yards. The fleet consisted of the seagoing suction dredges *Caribbean* and *Culebra*, the seagoing ladder dredge *Corozal*, the French ladder dredges *Badger*, *No. 1*, *No. 5*, *Gopher*, *Marmot*, and *Mole* (the last abandoned as worn out on September 20, 1913), the 5-yard dipper dredges *Cardenas*, *Chagres*, and *Mindi*, the 15-yard dipper dredges *Gamboa* and *Paraiso*, and the pipe-line suction dredges *No. 4*, *No. 82*, *No. 83*, *No. 85*, *No. 86*, and the *Sandpiper*. In connection with these dredges there were employed 12 tugs, 19 launches, 9 clapets, and 24 dump scows.

As noted in the previous annual report, a contract was made with the Bucyrus Co. for the construction of two 15-yard dipper dredges and their delivery at tidewater in the United States. The first was to be ready for towing to the Isthmus on December 1, 1913, and the second on January 1, 1914. The first dredge was accepted at Port Richmond, N. Y., on February 16, reached the Isthmus on March 16, and was placed in operation on April 4, 1914. The second dredge was accepted at Port Richmond on April 13, reached the Isthmus on May 22, and went into commission at Cucaracha slide on June 7, 1914. Due to a failure of the buckets, which were not sufficiently strong to do the work, an additional delay was caused. The failure to meet the stipulated dates of delivery resulted in very seriously handicapping the work at Cucaracha slide and delayed securing a channel sufficiently deep and wide to permit the canal to be utilized for the passage of commerce before the close of the year.

The sum of $2,000 was authorized to be expended in the construction of temporary dikes on the west side of the channel where it is cut through at the head of Limon Bay, to determine the effect upon erosion that was occurring, due to the waves created by the trade winds. The results were so satisfactory that it has been decided to make these dikes permanent.

MECHANICAL DIVISION.

The mechanical division was in charge of Mr. A. L. Robinson until July 19, 1913, when he resigned from the service. Subsequent to that date and until March 6, 1914, Lieut. Col. T. C. Dickson, United States Army, performed the general duties relating to organization and personnel, while the operation of the shops was under the supervision of Mr. John J. Eason as assistant superintendent. On January 26, 1914, Mr. D. C. Nutting, United States Navy, reporting for duty, was assigned as superintendent and took

over all the duties performed by Col. Dickson in connection with this division.

The establishments under operation by the division consisted of the Balboa shops (including roundhouse and car shops), the Cristobal shops and dry dock, Paraiso shops, Cristobal roundhouse, the small hoisting establishments at Gatun, Empire, and Paraiso, and the car-inspecting establishments at Cristobal and Balboa.

The Cristobal shops and dry dock have been charged with all repairs to floating equipment; as this dock was the only one available when a dry dock was necessary, it was in practically continuous use throughout the year. For the purpose of docking the five submarines which are on duty on the Isthmus and for docking the *Corozal* the upper lock of the east flight at Gatun was used. The Paraiso shops were reestablished on October 22, 1913, to take care of repair work on the dredging equipment operating in Culebra Cut. The hostling of four engines operating in this vicinity was turned over to these shops on May 25, 1914, and is performed under the foreman machinist. The Cristobal roundhouse was turned over to the mechanical division on April 1, 1914, and all hostling at the north end of the canal was concentrated there. The establishment, in addition to the roundhouse, comprises a small boiler plant and two air compressors with a combined capacity of about 2,000 feet per minute. The plant supplies air for hostling purposes and also for work on the new piers of the Panama Railroad. A small hostling plant was established at Empire, in the shops vacated, March 1. With the establishment of the electrical division on April 1, 1914, the electrical plants at Empire, Miraflores, Gatun, and Balboa, previously operated by the mechanical division, were turned over to that division and, as these plants contained air compressors, the air compressors were likewise turned over to the electrical division. The old shipways shops at the Pacific entrance, formerly occupied by the dredging division, were turned over to the mechanical division on October 22, 1913, and so continued until they were torn down in March and April. The machine shops and engine house at Gatun were operated for work in connection with the installation of lock machinery and caring for locomotives engaged in that vicinity. They were abandoned April 1, 1914, and the work transferred to Balboa and Cristobal. The Pedro Miguel engine house was abandoned on September 15, 1913, and the greater portion of the equipment moved to the Gold Hill engine house and the buildings turned over to the quartermaster's department and torn down. An engine house was established at Gold Hill in September, 1913, to care for the equipment employed in dry excavation north of Gold Hill. The engine house continued in operation until completion of the excavation work and was discontinued on March 31, 1914. The air-compressor plant

at Rio Grande, which had been in operation since 1905, was shut down on October 15, 1913, and such compressed air as was required in the district previously supplied by Rio Grande was furnished by the plant at Empire. The Cristobal car shops were in operation until March 7, 1914, when they were abandoned and all car work concentrated at the Balboa shops. When the Balboa roundhouse was put into service on April 1, 1914, the Panama roundhouse of the Panama Railroad was placed out of use.

Throughout the year, while the shops were in operation, two shifts were regularly worked at Gorgona, Empire, Paraiso, and Balboa. In addition to the double shift, emergencies continually arose which necessitated large amounts of overtime work, in order that equipment might be kept in condition for use and to prevent delay in the work of other divisions.

DIVISION OF TERMINALS.

The division of terminal construction was organized on April 1, 1914, under Mr. H. H. Rousseau, United States Navy, as engineer of terminal construction. The division embraces the forces of the former second division, chief engineer's office engaged in the design, inspection and construction of the dry docks, shops, coal and fuel-oil plants, floating cranes, docks and other terminal facilities; construction transportation by rail; the road, street and sewer work under the landscape architect; and the breakwater construction at the Atlantic terminal.

Dry docks.—The general description and principal dimensions o Dry Docks No. 1 and No. 2, at Balboa, were given in the previous annual report. On account of the condition of funds, it was decided to defer the construction of Dry Dock No. 2, but such of the dock structure as serves as an entrance pier for Dry Dock No. 1, and as will permit the future completion of Dry Dock No. 2 in the dry without especial increase in cost will be built now. The cofferdam, which was begun on April 1, 1913, to protect the entrance of Dry Dock No. 1, Dry Dock No. 2, the entrance basin, and coal-pocket excavations, was completed by placing 103,116 cubic yards of material. Difficulty was experienced through a portion of the double-track trestle giving way and moving outward after dumping from it had commenced, but this was overcome by reinforcing the outer toe by dumping material from barges and the cofferdam was completed. The leakage through it is relatively small and can be controlled by pumps. In excavating for Dry Dock No. 1 and Dry Dock No. 2, the coal pockets and entrance basin, the old Balboa machine shops forced the work to be confined to the center and south sides until November, when they were demolished and the last obstacle to excavation was removed. The total amount taken out from the site of

Dry Dock No. 1 during the year was 358,282 cubic yards, 48,838 cubic yards of which were classified as earth and the balance as rock, making a total of 466,975 cubic yards excavated from this area up to the close of the year. The division cost for the year was $1.0250 per cubic yard, and the average division cost of the total was $0.9946 per cubic yard. From the site of Dry Dock No. 2, which is located just north of the entrance of Dry Dock No. 1, there were removed during the year 41,548 cubic yards of earth and 52,129 cubic yards of rock, at an average division cost of $0.8129 per cubic yard. Steam-shovel operations deepened the excavation from —13.5 to the final grade for the entire area of the approach basin inside of the cofferdam, and a total of 351,333 cubic yards were removed at a division cost of $1.0250 per cubic yard. The area required for the storage of coal and for the travel of unloading towers measures 800 feet in length and about 400 feet in width, measured from the outer edge of the quay wall. The total amount of excavation during the year was 166,104 cubic yards, 79,837 cubic yards of which were earth and the balance rock. The average division cost was $0.7984 per cubic yard. The material excavated from the site of the dry docks, entrance basin, and coal pocket was removed by means of steam shovels, three of which were worked 8 hours a day until February, 1914, when on the 5th of that month the shovels were placed on a 12-hour basis and another shovel added. These shovels worked on split shifts, 12 hours a day, continuously to the end of the year; one shovel was removed in June. The contract entered into October 12, 1912, for one pair of steel miter-gate leaves and fixed irons was completed during the fiscal year, and the material is stored on the Isthmus awaiting erection. The moving machines for operating the leaves, together with motors, controls, and covers, are also delivered.

Balboa coaling station.—Upon completion of the excavation for the coaling plant, work was begun on masonry for the crane runway supports, which extend east and west through the center of the storage pile, and will support the old Pacific division berm cranes which will be rerected to rehandle the coal. The material was mixed by a ½-yard mixer and placed by a locomotive crane. At the close of the fiscal year all but three of the piers over the deep coal pockets were up to the construction joint, where the girders which carry the rail are to be set. The retaining wall between the high and low storage pockets was up to elevation 12 for three-fourths of its length. The rubble retaining wall on the south side of the low storage area was completed, as well as a part of the small rubble retaining wall at the east end of the high area. There were placed during the year 1,330 cubic yards of concrete and 808 cubic yards of rubble masonry at an average division cost of $7.4811 per cubic yard. There were also placed in the foundations for the berm cranes 2,620

cubic yards of concrete at a division cost, exclusive of reinforcements, of $7.4464 per cubic yard.

The total amount of excavation accomplished, including the work for dry docks, entrance basin, coaling plant, shops, quay walls, and piers, aggregated 1,513,048 cubic yards, of which 1,477,843 cubic yards were placed in fills and embankments, the remainder being hand excavation wasted in the excavation of foundations for shops, and orange-peel excavation thrown to one side during the excavation for foundations for wharves and piers. The excavated material was used to bring the shops' yard up to elevation 18 to make the fill behind the quay wall, piers, and the area to be occupied by the Panama Railroad yards, which lie east of the head wall of the permanent piers, for the Naos Island Breakwater, and part was wasted on the Balboa dumps.

Shops.—Lieut. Col. T. C. Dickson, United States Army, inspector of shops, was in immediate charge of the design and installation of the machinery of the new Balboa shops until March 6, 1914, when he was relieved from duty with the canal. The steelwork was carried on by contract and completed during the year. The total amount of material delivered was 11,657,429 pounds, and the cost of the material and erection in place under contract was $427,203. The work was completed. The buildings have cement tile roofing, the tiles being manufactured on the Isthmus and erected in place under contract; the total amount of standard red tile squares put on was 6,441.18; gutter-tile squares, 201.15; ridge roll, 7,351 linear feet; ribbed glass pieces, 11,188; and the total cost was $102,659.98. The remaining work on the foundations was pushed so as to be prepared for the contractor for the steelwork, and 3,221 cubic yards of concrete were placed during the year. All the shop area had been brought up to grade and surfaced with crushed stone, excepting the space occupied by the incline from the dry-dock excavation and a small area between the roundhouse yard and the foundry. The foundations of two of the buildings were interfered with by the sand dock and considerable trouble was experienced in placing foundations, due to obstructions in the mud below low tide, consisting of old barges and other French equipment and old metal which had been dumped into the area and subsequently covered up.

The installation of machine foundations in the various buildings progressed rapidly as soon as it was possible to start work inside the buildings. In this connection 4,944 cubic yards of concrete were used. The shops' tunnel, which runs through the building and yard parallel to the axis of the dry dock, was completed. A proper drainage system was provided over the entire area.

The mechanical division abandoned Gorgona in August, 1913, and, together with the foundry and planing mill, moved direct to Balboa.

The other shops were transferred temporarily to Empire, and, commencing March 1, 1914, were gradually moved to Balboa. At the close of the year practically all of the machines were erected in the permanent locations and in operation. The total amount expended on the shops, including the cost of moving and installing the machies, was $2,384,967.33. The shops office building is the last one under construction. At the close of the year the steel framework and cement tile roofing were completed and the construction division of the supply department was putting in the walls and floors, and engaged in the completion of the building. The total amount expended on the office building was $59,494.90.

Breakwaters.—As stated in the last annual report, it was decided to construct a detached breakwater on the east side of Colon Harbor to protect the interior harbor against the waves caused by the trade winds, its general direction extending out from Coco Solo to a point 2,000 feet east of the outer extremity of the west breakwater. The breakwater, as originally approved, was to be 7,200 feet long, its inner end being 3,893 feet from the end of the shore fill. Investigations were made in various localities for the purpose of securing suitable core and armor rock for use in its construction, with a view to doing away with the necessity of the further use of Porto Bello. Upon the examination of comparative estimates of costs bearing on different sources of supply of rock to be used, it was decided to obtain the rock from the Sosa Hill quarry and transport it across the Isthmus. A double-track trestle was extended out from Coco Solo and about 11,093 linear feet were completed at the close of the year. A railroad connection was completed between the root of the breakwater and the railroad extending from Mount Hope to Margarita Point. Auxiliary lines and sidings were built in the vicinity of Coco Solo Point and along the Margarita Point railroad. In all 5.2 miles of new track were laid. A dock 16 by 100 feet, with trestle and track connections, was built for the unloading of materials, and a small harbor for the landing of launches and tugs towing piles was excavated by the dredge *Sandpiper*, necessitating the removal of 58,650 cubic yards of sand. A 6-inch water main was laid from the Margarita Point main at the Coco Solo turnout, and a 50,000-gallon storage tank was erected for watering locomotives and for additional fire protection. The Coco Solo yard was filled in to elevation plus 3.3, and the approach tracks for the trestle were raised to elevation plus 14.5. Practically all of the tracks have been ballasted to the main line of the Panama Railroad, for which 64,506 cubic yards of fill were used in addition to 11,512 cubic yards of gravel ballast and 522 cubic yards of crushed-rock ballast.

With the abolition of the Atlantic division on February 1, the west breakwater work in Colon Harbor and the operation of Porto Bello

quarry were transferred to the division of terminal construction. Armor rock was procured from Porto Bello on the old crushed-rock quarry level above the two lower levels referred to in the last annual report. On December 1, 1913, the working hours in the quarry were reduced from 12 hours to 8 hours a day, and on April 30 the operation of the quarry ceased. During the year 207,654 cubic yards of armor rock were produced and shipped at a division cost of $4.0182 per cubic yard. Auxiliary excavation by steam shovels amounted to 302,893 cubic yards, which were wasted on the shore dump. In May, 1914, the quarry was closed down in such a manner that it can be reopened if found necessary later in connection with the east breakwater. Of the 207,654 cubic yards of rock shipped from Porto Bello, 162,951 cubic yards were placed by three derrick barges and 44,703 cubic yards were placed by three cranes at a division cost of $0.9673 per cubic yard. Rock removed by dredges to the extent of 18,254 cubic yards was placed in the breakwater. The work was completed in May, 1914, at a division cost of $3,492,781.27. It contains 1,945,733 cubic yards of material, consisting of 669,254 cubic yards of dredged rock, 819,930 cubic yards of Toro Point rock, and 456,549 cubic yards of Porto Bello rock.

Work on the Naos Island Breakwater was continued throughout the year. With the closing down of dry excavation in Culebra Cut on October 10, a borrow pit was opened in the side of Sosa Hill, as from the action of the breakwater it had been concluded that too much soft material had been used in its construction and that nothing but rock should be put in to secure its completion. The work at Sosa Hill continued from October 10, 1913, until March, 1914, when the output from the dry dock, together with the character of the material warranted the use of the spoil from this locality for breakwater purposes. At the beginning of the year all the trestle had been completed to elevation plus 14 and had been filled in with the exception of 600 feet. At the close of the year the average elevation of the breakwater was plus 18.5 and it was finished to its full width. The average settlement during the last two weeks of the year was 0.075 foot with the exception of one stretch about 600 feet in length which settled at the rate of about one-half an inch per day. During a portion of the last three months of the year there was a settlement of about 2 feet a day at the south end of the breakwater immediately north of Naos Island, whereas the settlement at the end of the year at this point amounted to only 3½ inches per day. During the fiscal year 652,587 cubic yards were placed at an average division cost of $0.6088 per cubic yard.

Cristobal coaling plant.—Drilling and blasting channel material in the vicinity of the Cristobal coaling plant was started by the

dredging division in July, 1913, and the removal of the material by a pipe-line suction dredge was continued through the year. The dredged material was pumped ashore where most needed. Being largely clean coral rock and sand, it has been used to bring the area in which coal will be stored in the dry, measuring about 300 feet by 1,200 feet, up to elevation plus 2. Work was pushed on the construction of trestles for use in setting the 6-foot caissons, and on the construction of the two concrete walls supported on piles, about 700 feet in length, that carry the tracks for the stocking and reclaiming bridges. At the end of the year the trestle construction was about 25 per cent completed. The caissons are of steel, 6 feet in diameter, and by the end of the year 78 of the cylinders had been set, and 6 of these were driven to rock with a steam hammer in advance of any excavation. The total amount of concrete placed was 3,123 cubic yards, at an average division cost of $5.4986 per cubic yard.

A contract was entered into for furnishing the materials, necessary machinery, and the erection in place of the coal-handling plants. The coal-handling plants are designed for the storage of 485,000 tons at Cristobal and 215,000 tons at Balboa. Of the former, 100,000 tons are to be wet storage, and in the latter case 50,000 tons.

Fuel-oil plant.—A contract was entered into on October 1, 1912, for four fuel-oil storage tanks 93 feet in diameter and 35 feet in height, each having a capacity of 40,000 barrels, to be completed at a cost of $62,800. Two of them are located at Mount Hope and two on the Balboa dump southeast of Sosa Hill. Plans have been prepared and advertisements issued for the necessary pumping plants in connection with these tanks, one to be located at Balboa and one at Mount Hope. Provision is made for the installation of three pumps in each plant, two of which will be purchased at the present time. They will be able to handle oil from Balboa to Miraflores tank, and from Mount Hope to Gatun tank, at the rate of about 400 barrels an hour. On the Atlantic side as much of Docks 13 and 14 as is necessary will be used as oil docks, and the tank field will be located between the east diversion and the Mount Hope Road, where there are suitable locations for 40 or 50 tanks. The pumping plant will be located immediately east of the Mount Hope filtration plant. At the Pacific terminal there will be a berth for oil vessels 75 feet wide by about 2,000 feet long immediately adjoining the canal channel and south of the old French pier. There will be three oil cribs, two of which will be constructed at once, consisting of steel and concrete deck supported by 6-foot concrete cylinders. The pumping plant will be located on the lower level of Balboa dump, opposite the oil cribs. The tank field has been laid out on the higher level of Balboa dump. An area has been reserved for the accommodation of 33 lots

each 200 feet square. To the end of the fiscal year there has been expended on the fuel-oil plant at the Pacific terminal $50,289.33, including the cost of dredging berth for ships, for which there were removed 60,776 cubic yards, at a division cost of $0.0983 per cubic yard, and on that at the Atlantic terminal $49,694.15.

Quay walls and pier.—Work was continued on the quay walls and pier at the Pacific end of the canal during the year. These consist of reinforced-concrete deck supported by cylinders sunk to rock. When completed the total length of the quay wall or wharf will be 2,662.65 feet, averaging 60 feet wide. Of this amount 648.78 feet were built for the Panama Railroad as a lumber dock, as reported in the previous annual report. The remaining portions of the wharf extend to the north and south of this lumber dock. The north portion is supported upon cylindrical concrete caissons sunk to rock and filled with concrete, reinforced with steel rails. The cylinders themselves are reinforced concrete 7 feet 6 inches in diameter, with 8-foot bottom section 5 feet in length. Of the section north of the lumber dock, 1,238.42 feet, 16 caissons remained to be sunk during the year, most of the substructure having been completed during the previous year. There are 136 caissons in this dock. The superstructure consists of reinforced girders, beams, and floor slab, with vitrified-brick surface. The work was begun in July, 1913, and was completed on February 1, 1914. The paving brick were laid on a sand cushion. There were 75,683 square feet of brick laid on the floor of this dock, and it was completed on April 1, 1914.

To counteract any outward pressure against the cylinders "dead men" were placed in the ground about 85 feet behind the rear edge of the wharf and opposite each transverse girder, each with an effective bearing area of 48 square feet, constructed of reinforced concrete. They were connected to the dock by steel rods $2\frac{3}{4}$ inches in diameter, drawn tight by means of turnbuckles, and encased in concrete.

The wharf south of the lumber dock is 775.45 feet in length, with a return 290 feet long, and, as the work had to be performed in water, the reinforced-concrete caissons used in the other dock were not suitable. The caissons for this portion of the work are steel cylinders 6 feet in diameter, in sections 5 feet long. In order to permit the construction of this portion of the wharf it was necessary to remove the sand-unloading cranes formerly used by the Pacific division, and the sand operations were transferred to Miraflores locks. A ladder dredge cleared the site and a double trestle was constructed longitudinally through the site for the handling of the caissons. The excavation inside the cylinders was performed by orange-peel buckets as much as possible, but the material overlying the hard rock was so firm that the greater part of the excavation had to be done by

hand, using Star well drills as hoisting engines. At the close of the year 23 caissons had been sunk to rock.

The bulkhead quay wall, extending between the wharf and Pier No. 1, is 303 feet long and built on concrete cylinders sunk to rock in a manner similar to that at the wharf north of the lumber dock. Rock was encountered very much higher than on the greater part of the other quay walls, and it was necessary to do considerable rock excavation in the caissons to get them well below —45. Excavation was done by orange-peel buckets operated by locomotive cranes, but the removal of rock and cleaning out the bottom of the caissons required hand excavation. Sixty-five piers were required for this dock. They were all sunk to rock at the end of February, 1914. The superstructure was placed similar to that of the other docks. A similar bulkhead, extending from Pier No. 1 to Pier No. 2, was begun during the year.

The construction of Pier No. 1, 1,000 feet in length and 201 feet wide, proceeded in a manner similar to that of the wharf construction, both as regards excavating in the caissons and placing the superstructure. Most of the material excavated was soft, alluvial mud, rock being encountered at the upper end, which necessitated hand excavation in order to secure a foundation for the cylinders. During the year 184 piers were sunk to rock.

The division cost of this dock work in detail to date is as follows:

At the quay wall north of the lumber dock there have been excavated, in connection with the concrete cylinders and the beams for the superstructure, 23,728 cubic yards, at a division cost of $2.2569 per cubic yard; 6,464.5 cubic yards of concrete have been laid in the construction of the caisson shells, at a division cost of $13.0343 per cubic yard; 7,945 cubic yards of concrete have been placed within the caissons, at a division cost of $6.6675 per cubic yard; 7,359 cubic yards of concrete have been laid in the floor system, at an average division cost of $24.2281 per cubic yard. In paving this dock 75,683 square feet of brick paving were laid, at a division cost of $0.3120 per square foot. This dock was completed during the year; it has an area of 77,403 square feet and the total division cost was $421,200.57, or $5.4417 per square foot.

At the quay wall south of the lumber dock, in dredging preparatory to the construction of this dock, 25,720 cubic yards of material were removed, at a division cost of $0.4689 per cubic yard; 669 cubic yards were excavated for and in the piers, at a division cost of $2.2929 per cubic yard; in filling the caissons, 1,487 cubic yards of concrete were placed, at a division cost of $9.3277 per cubic yard. To the close of the fiscal year there have been expended in the construction of this dock $107,956.85. In the construction of the bulkhead quay wall, extending between the wharf and Pier No. 1, 7,835 cubic yards

of material were excavated in and for the piers, at a division cost of $2.4612 per cubic yard. In the construction of the caisson shells 1,657 cubic yards of concrete were used, at a division cost of $17.3458 per cubic yard; 3,563 cubic yards of concrete were placed within the cylinders, at a division cost of $5.9657 per cubic yard. There were 2,462 cubic yards of concrete placed in the concrete floor, at a division cost of $16.3920 per cubic yard, and 21 cubic yards in the concrete balustrade, at a division cost of $33.7429 per cubic yard. Behind the structure, 2,313 cubic yards of back fill were placed, at a division cost of $2.1406 per cubic yard. The total amount expended on this quay wall to the end of the fiscal year was $130,306.14.

In the construction of the pier, 31,666 cubic yards of material were excavated for and in the cylinders, at a division cost of $2.9495 per cubic yard. In the construction of the caisson shells, 10,773 cubic yards of concrete were used, at a division cost of $12.5772 per cubic yard, and 13,346 cubic yards of concrete were used in filling the caissons, at a division cost of $6.7139 per cubic yard. In connection with the floor system there were excavated 7,373 cubic yards, at a division cost of $1.4920 per cubic yard; 10,222 cubic yards of concrete were laid in the floor, at a division cost of $16.1893 per cubic yard, and 939 cubic yards of back fill were placed, at a division cost of $1.9287 per cubic yard. To the end of the fiscal year there were expended in the construction of this pier $511,749.14. The total expense in connection with these docks, including preliminary expenditures which have not been located to any of the docks, to the end of the fiscal year was $1,212,917,01.

Ancon quarry.—The Ancon quarry was continued in operation during the fiscal year—by the fifth division from July 1, 1913, to February 1, 1914; by the fourth division from February 1, 1914, to May 31, 1914; and from the latter date to the end of the year under the division of terminal construction. The greater part of the work has been carried on on the upper level, which is over 400 feet above the crushers. Two shovels were kept at work until May, 1914, since which time one shovel has been operated and the other held in reserve. In July, 1913, the bank under the crusher building gave way and threatened to carry away the lower part of the crusher building and conveyor. The material in the slide was excavated by steam shovels, working day and night, and about 40,000 cubic yards were removed and hauled to Miraflores locks for back filling and to the Balboa town site. During this time the crushers were run 12 hours a day until the danger from the slide was stopped. The large crusher was relined once, the main shaft changed twice, and the main eccentric changed twice in order to be rebabbitted.

The larger output from the quarry is designated as rock No. 1 and the smaller as rock No. 2. The demand for the latter size was

greater than formerly, and the crusher had to be arranged to crush the rock smaller, the screens being changed so that a greater percentage of No. 2 rock was produced. The total amount of crushed rock produced during the year was 502,798 cubic yards at an average cost of $0.8974 per cubic yard. In addition thereto 49,156 cubic yards of screenings were produced, which were utilized in the construction and repair of roads and in the manufacture of concrete blocks for construction of buildings.

Sand service.—The handling of sand from Chame to Balboa was performed by the dredging division, and the unloading at Balboa continued under the dredging division until February, 1914, when the unloading cranes at Balboa were closed down, owing to the necessity of moving them off the temporary dock on which they had been installed. The unloading operations were transferred to Miraflores on April 28, and unloading was performed by one of the berm cranes still remaining at that point. A locomotive crane was subsequently added, and both machines worked during May and June. A total of 199,319 cubic yards of sand was received and unloaded at an average cost of $0.8233 per cubic yard.

Panama Railroad freight yards.—The Panama Railroad freight yards, extending from Diablo Hill to the foot of Sosa Hill, were practically completed at the end of the year. The filling and excavation for these were performed by the division of terminal construction. Material excavated from the inner harbor by suction dredges was deposited through pipe lines into the swamp lying between the site and the old Panama Railroad line, and a considerable amount of dry fill obtained from the dry-dock excavation and from Diablo Hill was added. The low, swampy area east of Balboa terminals and north of Ancon Hill was raised to a higher elevation by a hydraulic fill dredged from the inner harbor.

Colliers.—The successful operation of the coaling plants, as well as the price at which coal can be sold, is dependent in some degree upon the ability to control the transportation of coal from the United States. During the year the cost of water transportation was $1.395 per ton. The coal is brought down in foreign bottoms. The conclusion was reached early in the consideration of the coal-supply problem that advantages would result from the ownership by The Panama Canal or the Panama Railroad Co. of the colliers bringing coal to the Isthmus. An estimate was therefore submitted in 1912 that would permit the construction by The Panama Canal of two colliers in accordance with the latest type of naval design, and would give The Panama Canal the desired control over its coal supply. The general plans were prepared by the Navy Department, and bids were opened for their construction on February 2, 1914. On April 9, 1914, a contract was entered into for the construction of the

two at $987,500 each. Each collier is to have a coal-carrying capacity of 12,000 tons and a speed of 14 knots per hour loaded to full capacity. On June 30, 1914, the Secretary of War decided that these colliers when completed will be operated by the Panama Railroad Co. The company has submitted an estimate of the cost of transportation, which amounts to 97 cents a ton, not including depreciation or interest on the capital invested.

Tugs.—As stated in the previous annual report, an estimate was included for the fiscal year 1913 for the purchase of four harbor tugs of suitable design and sufficient power to handle the largest vessel using the canal. The plans and specifications were approved in December, 1913, and bids were invited by a circular through the Washington office on January 6, 1914. When the bids were received it was decided to reduce the number from four to two, and the contract was awarded and entered into on May 8, 1914.

Floating cranes.—A contract was entered into on April 21, 1913, for two floating cranes of the revolving type, and of 250 tons capacity each, at a cost of approximately $837,500, to be delivered and completed on the Isthmus within 580 days, or by December 2, 1914. These cranes have been given the names *Ajax* and *Hercules*, respectively. The work has progressed satisfactorily, and the pontoons were brought from Germany and arrived on the Isthmus in July.

Balboa town site.—Planning of the permanent town of Balboa, together with the streets, water and sewer systems, was placed under this division. Previous study had served to determine the location of the Administration Building, and the formal mall of buildings on Balboa Plain as recommended by the Commission of Fine Arts. The main roadways have a width of 24 feet; the roadways of secondary importance have width of either 18 or 14 feet. The land which has been set aside for the permanent gold site at Balboa includes 29 acres on the north and northwesterly slopes of Sosa Hill, intended generally for quartering employees assigned to the shops and terminals; an area of 72½ acres on the southwesterly slope of Ancon Hill, which has been named "Balboa Heights." Employees working in the Administration Building will be housed in this area. The third area, of about 55 acres, is on the low ground between the two areas above mentioned, on which will be located buildings of a public or semipublic character, as well as quarters. Construction work was started the latter part of August, and the progress has been governed to a considerable extent by the existing structures and tracks. Sewers and water systems have been installed and a considerable amount of grading and planting work completed. For the construction of roads asphaltic concrete was adopted as being more economical. The total amount expended on the work was $409,116.35.

Radio station.—In addition to the foregoing work, the building of the Darien radio station was placed in charge of this division and $74,756.88 were expended during the year on its construction.

SUPPLY DEPARTMENT.

The supply department was organized, effective April 1, 1914, by combining the quartermaster's and subsistence departments under the old organization, and was placed in charge of Capt. R. E. Wood, United States Army, as chief quartermaster. The department has charge of the recruitment of labor; construction and repair of all buildings; care, furnishing, and assignment of quarters; distributing fuel, commissary supplies, and distilled water; the operation of hotels, messes, and kitchens; requisitioning for supplies of all kinds, together with the receipt and distribution of them on arrival; the cutting of grass and disposal of night soil and garbage, as prescribed by the health department.

During the year the work of the department was more arduous than that of any other on the Isthmus, by reason of the frequent changes in organization due to the consolidation of the work, the construction of new buildings, the elimination of old towns and their transfer to new localities, and too much credit can not be given to those who have had charge of the work.

The force employed on the canal dropped steadily throughout the year, being 29,673 on June 30, 1914, as compared with 43,350 at the close of the previous fiscal year. Accompanying the decrease there was a large emigration from the Isthmus, and for the first time since the work was started there was an excess of departures over arrivals of about 15,000. Free transportation was furnished to 1,361 Americans, 1,173 West Indians, and 1,615 Europeans, at a cost of $121,765.80. The character of the force was radically changed during the year, due to the completion of dry excavation and the large increase in the building force for the construction of quarters, offices, etc. The shop forces made two transfers, one from Gorgona to Empire and then from Empire to Balboa. The dredging forces were shifted from the terminals at Balboa and Cristobal to Paraiso. The transportation men were transferred from Las Cascadas and Empire to Balboa. These changes were made necessary by the waters of the lake drowning out Gorgona where the shops were formerly located, by the concentration of the dredging fleet in Culebra Cut, and by the abandonment of Las Cascadas so that it might be all available for the military. At the close of the fiscal year there was a total of 17,938 men, women, and children in canal quarters, as compared with 23,181 men, women, and children at the close of the previous fiscal year. The greatest percentage of decrease was among the American and European employees.

A new town, La Boca, was erected on the Balboa dumps south of Sosa Hill for the silver employees that will eventually be required for the permanent organization. Houses which had to be abandoned or moved were transferred and reerected at La Boca and converted into family quarters, and these apartments were rented. The experiment has been a success and has accomplished three good results: It has afforded the families of silver employees comfortable houses at a rental of fully 50 per cent less than they would have to pay in the city of Panama; it has enabled the canal to use to good advantage buildings which otherwise would have had to be abandoned or sold for little or nothing; and it has enabled the canal to derive a reasonable return from the investment. Fifty-two buildings, taken from Gorgona, Bas Obispo, Las Cascadas, Diablo, Empire, Culebra, Porto Bello, Gatun, Pedro Miguel, and Ancon Hospital, were moved and reerected at La Boca at a cost of $110,045.50, or an average cost per apartment of $266; the resulting structures accommodate 413 families. The cost varied from $111 to $520 per apartment and the rents range from $3 to $9 per month. Range closets, cook sheds, washhouses, and bathhouses for bachelor and married employees were erected at La Boca at a cost of $15,509.16. Besides the settlement at La Boca, silver quarters at Paraiso, Cristobal, and Gatun were thoroughly overhauled and repaired and then rented. At the close of the year 153 houses, with 736 apartments and rooms, were rented to employees on the silver roll, the monthly amount realized being $3,736.

On June 30, 1914, there were 2,535 buildings in canal settlements, of which 117 belonged to the Panama Railroad, 19 to the Army, Navy, and Marine Corps, leaving 2,399 belonging to The Panama Canal. Of this number 567 were French buildings, remaining of the total of 2,148 turned over by the French company in 1904. During the year 136 buildings were demolished and 107 were sold, realizing $7,453.76, practically all French buildings. The raising of the lake necessitated the removal, demolition, and sale of all buildings at Gorgona and Matachin and most of the buildings in the labor camps at Chagres and Miraflores, and slides caused the demolition and removal of some of the buildings at Culebra. Of the 175 buildings taken down, 153 have been reerected and 22 were in course of erection on June 30. The total cost of this work has been $308,310.63. While experience has shown that buildings can be moved faster and more economically when no alterations are made in the type, in view of the fact that the buildings being reerected at Ancon will be used for the permanent force, it was concluded that some alterations should be made so as to afford greater comfort. Work in connection with the erection of buildings for the Darien radio station for the

Navy was done by the supply department. The total amount expended for this work was $53,314.72. The permanent buildings constructed consisted of the hydroelectric station at Gatun, the substations at Gatun, Cristobal, Miraflores, and Balboa, the commissary warehouse at Cristobal, the Administration Building at Balboa, permanent family quarters of concrete blocks (28 four-family and 9 two-family), the shops office building, commissary building at Balboa, and the commissary building at Ancon. The total amount expended for these buildings, exclusive of those for the commissary, to the close of the fiscal year aggregated $1,943,430.05.

The policy was continued of limiting the stock of material and supplies as much as possible, which necessitated the placing of frequent orders for small amounts of material, increasing the work of the storekeepers and the United States requisition division and the difficulties of the purchasing office in Washington. The value of material received during the year was $11,116,395.10; the local purchases amounted to $2,293,144.66. Of the local purchases, coal aggregated $929,176.57; oil, $863,206.66; and the purchase of tools from the McClintic-Marshall Construction Co., $40,000. There was a decrease of 130,000 tons of cement, but a very large increase in the amount of lumber purchased. Changed conditions of the work necessitated the closing down of storehouses at various localities and the concentration of material at the terminals. The Gorgona storehouse was closed on August 15, 1913, the Miraflores storehouse on November 1, 1913, the Pedro Miguel storehouse on September 15, 1913, the Toro Point storehouse on May 1, 1914, the Porto Bello storehouse on May 15, 1914, and the Ancon storehouse on June 30, 1914. A storehouse was opened at Paraiso on December 1, 1913, a cement shed was erected for storage at Corozal, and the new buildings of the Balboa storehouse were opened during February of 1914. The Mount Hope depot invoiced material to the value of $7,093,963.28, as compared with $10,580,623 during the previous year. The value of the stock on hand at Balboa on June 30, 1914, was $1,098,143.49.

Scrap operations were continued throughout the year, and consisted of the collection, storage, classification, and sale of scrap. Altogether a total of 30,000 tons of rail and scrap were handled at the scrap yard at Mount Hope. Exclusive of the contracts with the Chicago House Wrecking Co., under which practically no shipments were made during the year, approximately $80,000 worth of scrap was sold. There is in addition scrap on hand at Mount Hope valued at about $300,000 based on present market prices. The expenses of scrap operations proper amounted to approximately $25,000 for the year. Unloaders, steam shovels, locomotives, spreaders, pile drivers, and track shifters no longer needed for the work were prepared for

storage, at a total cost of $14,222.84; this expenditure was necessary in order to secure the highest possible prices for the material.

On June 30, 1914, the department was operating the Hotel Tivoli, Hotel Aspinwall, 12 line hotels, and 10 laborers' messes, a decrease of 4 hotels and 5 messes from last year. The hotels at Porto Bello, Gorgona, Dump No. 6, Bas Obispo, Las Cascadas, and Miraflores were closed. A mess at Ancon for gold employees and the Hotel Aspinwall at Taboga Island were opened. The messes at Dump No. 6, Bas Obispo, Culebra, Gorgona, Miraflores, and Porto Bello were closed, and the common laborers' kitchen at Naos Island was converted into a laborers' mess. The gross revenue from the line hotels, restaurants, and messes was $1,032,189.51, a decrease of $202,888.33 from last year, while the total cost of operations was $1,021,856.92, a decrease of $183,942.84, making the profit $10,332.59, a decrease of $18,944.49. The total number of meals served in line hotels was 2,131,912, a decrease of 208,732 from last year. Immediately after July 1, 1913, the European laborers' messes and the common laborers' kitchens were combined and called laborers' messes. The total number of rations served in these messes was 950,994, the total number of rations served in both messes and kitchens during the previous year being 1,396,972. The net expense for salaries and wages was $133,638.81, as compared with $166,398.65 for the previous year. As the result of the year's operations the line hotels and restaurants showed a loss of $18,366.18, as compared with a loss of $3,837.71 during the previous year. Laborers' messes showed a profit of $28,698.77, as against a combined profit of $33,114.79 on messes and kitchens during the previous year.

During the last fiscal year the demand for wagon transportation was heavier than during any previous year since 1904, and it was necessary to purchase 100 new mules. As a result of necessary townsite work, hauling of material for new buildings and those transferred, and the collection of garbage in the city of Panama, which was transferred to the health department during the year, all Government animals were worked to the limit. This overwork and the fact that all mules except those purchased during the past 15 months have averaged over seven years' service on the Isthmus resulted in the death of 50 animals, a considerably heavier loss than during the previous year.

COST KEEPING.

No change was made in the methods of cost keeping adopted for the construction divisions in January, 1910. In addition to those reported last year, cost accounts were initiated for the Cristobal coaling plant, the gravel-reclaiming plant at Balboa, and the construction of the permanent concrete buildings, the accounts for the

latter being an elaboration of the system formerly used. The costs are made up of the labor engaged in and the material applied to the work, an arbitrary to absorb the cost of the plant, and a proper proportion of the division overhead charges. The general expenses of the Canal are prorated to the different parts of the work and must be added to the division costs in order to determine the total costs. As the engineers do not necessarily have control over the items which make up these general expenses, the costs reported are the division costs except when noted to the contrary. The cost-keeping accountant reports directly to the Governor. In addition to the duties enumerated in the last annual report, the cost accounting for the work under the jurisdiction of the former central division and that for the quartermaster's department was transferred to this office on October 1, 1913, and on June 1, 1914, that of the electrical division. He has been engaged in preparing permanent accounting systems for the operation and maintenance of the canal since April 1, and to the close of the year most of this work had been completed with the exception of minor detailed accounts, which will be initiated as the necessity develops. At the close of the last fiscal year the pay roll of the office was about $3,000 per month, and there were transferred with the accounts of the former central division and of the quartermaster's department employees whose salaries aggregated $975 per month; the pay roll at the close of the fiscal year was about $3,600 per month. This, notwithstanding the increase in accounting work for the terminals, the town site, the permanent buildings, and the electrical division, which exceeded by far the decrease on account of the completion of some of the canal units.

The general expenses prorated to the construction work this year amount to 11.12 per cent of the division cost and for the period to date to 8.73 per cent.

Comparative costs are not given this year for all the units of construction, as conditions due to the completion of the work make such comparisons valueless as far as a large portion of the units of construction is concerned. At the Ancon rock quarry there was a decrease of 185,503 cubic yards in the quantity of crushed stone produced and an increase of $0.1179 per cubic yard, principally in the operation of and repairs to the crushers.

The quantity of sand dredged from Chame Point decreased 246,339 cubic yards and the cost increased $0.1154 per cubic yard, principally in the expense of dredging and towing to Balboa.

The cost of the large rock in place in the Colon west breakwater increased $0.4480 per cubic yard as compared with last year, due to increase in the charge for plant arbitrary, made necessary by the decreased quantity of rock placed in the breakwater as compared with the estimate.

There was an increase of $0.3154 per cubic yard in the cost of rock placed in the Naos Island Breakwater, due to charging this account with the expense of quarrying and transporting rock from Sosa Hill and of transporting the rock secured from the excavation in the area of the dry dock at Balboa.

To the end of the fiscal year there had been expended $440,483.46 for the construction of terminal facilities at Cristobal, of which $390,789.31 was for the coaling plant and $49,694.15 for the fuel-oil storage plant. For the terminal facilities at Balboa there had been expended $6,665,446.24, of which $1,108,773.31 were for surveys and in the preparation of the site; $592,971.66 in dredging the inner harbor; $504,320.59 in the construction of the main dry dock; $78,312.02 in the construction of the small dry dock, known as Dry Dock No. 2; $287,269.17 in the construction of the coaling plant; $386,004.07 in excavating the entrance basin; $126.85 in the construction of the sea wall; $2,444,462.23 in the construction of the permanent shops, storehouses, and roundhouse; $1,212,917.01 in the construction of the docks; and $50,289.33 in the construction of the fuel-oil plant and in dredging a berth for the oil ships.

In the preparation of the permanent town sites there have been expended $132,539.23 for the town of La Boca, $409,116.35 for that at Balboa, and $112,349.25 for that at Pedro Miguel, a total of $654,004.83.

In the construction of the permanent concrete buildings there have been expended to the end of the fiscal year $716,936.09 for the Administration Building at Balboa, $425,210.17 for 28 four-family apartment houses, and $20,737.76 for nine two-family apartment houses.

The administrative and general expenses increased $292,404.07. Of this amount about $120,000 is apparent only and is due to consolidating the time and cost keeping forces in the executive office, the expense having previously been borne by the construction divisions. The remainder is principally due to heavy charges for repatriation of employees leaving the service or discharged for reduction of force, and to the expense of moving the storehouses at Gorgona and Empire.

ACCOUNTING DEPARTMENT.

The accounting department was organized on April 1, 1914, in accordance with the provisions of the Executive order putting into effect the new organization, and consists of the auditor, Mr. H. A. A. Smith, who has supervision of the entire department and is in direct charge of the auditing and accounting work; Mr. John H. McLean is in direct charge of disbursements, and Mr. T. L. Clear of all collections.

An attempt was made to revise the system of accounting that has been in effect during the construction period so as to make it applicable to the operation of the canal. While the canal is primarily for the purpose of passing ships, under authority of law provision is made for supplying vessels with fuel, general supplies of all kinds, including subsistence, for repairs, and various other facilities, so that the system must be sufficiently elastic to take care of the various enterprises, and for the determination of net profits as nearly as may be done, which, under the law, must revert to the Treasury. The assistance of the Treasury Department was sought and two committees visited the Isthmus, the result of which was the approval of certain forms for use in connection with the rendition of public accounts. A new classification of accounts has been established beginning with the fiscal year 1915.

Under the agreement with the Republic of Panama, which requires the reimbursement to the United States for the expenditures incurred in connection with the construction, maintenance, and operation of waterworks, sewers, and pavements within the cities of Colon and Panama, the expenditures to June 30, 1914, in the city of Panama, were $1,761,328.49 and in the city of Colon $1,659,640.20, a total of $3,420,968.69, including accrued interest to date at the rate of 2 per cent per annum on the capital cost balances and on the proportionate cost of the waterworks in the Canal Zone used for supplying water to the two cities, based on the quantity of water consumed. For the work in Panama this interest has amounted to $186,588.26 and for the work in Colon $139,665.63. There have been reimbursed to the United States $1,213,918.37, leaving a balance of $2,207,050.32 still due.

During the year 41,233 hotel books, valued at $580,319.40, and 980,283 meal tickets, valued at $353,253.20, were issued. In addition, the sum of $2,888,437.50 was collected on the pay rolls for commissary books issued to canal employees.

The periodical examination of the accounts of the 225 officers and employees having the collection, custody, and disbursement of money was made during the year.

The total disbursements on the Isthmus on account of salaries and wages of employees and on account of other items amounted to $27,749,135.69. Disbursements in the United States amounted to $14,614,403.71, or a total of $42,363,539.40.

The total collections during the year amounted to $8,106,469.42, of which $1,718,021.30 were repaid to appropriations, $379,365.02 deposited as miscellaneous receipts, and $2,963,148.96 collected on account of Panama Railroad commissary. The balance, $27,931.14, was collected for the account of the railroad, bonding company, and other contractors.

The inspection of time books and the work of timekeepers in the field was continued.

The property accounting was transferred to this department on January 1, 1914, and for the six months that it had charge records were maintained of purchases and sales of the quartermaster's stores, and material and supplies were received of a total value of $7,887,431.66, of which $4,840,245.92 were for stock and $3,047,185.74 were for material, supplies, and equipment delivered direct to the construction divisions. During this period the issues from storehouses amounted to $5,423,585.41, and the amount received from direct sales to outside interests totaled $142,377.56.

The separate business of the Canal Zone has reduced materially during the year. The amount of revenue derived from rentals, taxation, etc., decreased from $212,266.83 in 1913 to $168,076.64 in 1914. The audited expenditures during the year amounted to $261,064.17. In the operation of the post offices there was a decrease in the number of orders issued from 238,316 in 1913 to 198,009 in 1914.

The canal clubhouses received a total revenue of $132,624.05 and expended $133,086.95. The balance on June 30, 1914, in clubhouse funds amounted to $26,513.96, with outstanding obligations of $10,534.53.

The provisions of the injury compensation act of May 30, 1908, were superseded on April 1, 1914, by the Executive order of the President of March 20, 1914, which was promulgated in accordance with the authority contained in section 5 of the Panama Canal act. Since August 1, 1908, the sum paid out in injury claims amounted to $1,145,085.71. For the first three months under the compensation order of March 20, 1914, there were expended $4,283.83. This does not represent the total amount that will be allowed on account of injuries received during the period, as no allowances were made on account of long-continuing periods of disability nor on account of death claims.

Congress has appropriated a total of $374,048,194.59 for the canal, including the appropriation continued in the sundry civil act approved August 1, 1914. Of this amount $12,050,825 were for fortifications and $22,508.01 were appropriated for the relief of private persons, so that there were $361,974,861.58, including the amount covered by the sundry civil act of August 1, 1914, appropriated for the construction of the canal and its adjuncts. Except for the portion used in maintaining and operating the canal, to which $161,608.52 were charged, and $2,000,000 appropriated for colliers, the amount chargeable against the total authorized bond issue of $375,200,900 is $359,813,253.06; up to June 30, 1914 $6,254,203.37 were collected and returned to the Treasury as miscellaneous receipts, so that the cost of the canal, including the appropriation of August 1, 1914, stands at $353,559,049.69.

EXECUTIVE DEPARTMENT.

The executive department is an outgrowth of the department of civil administration. Prior to the reorganization on April 1 the department of civil administration was under the supervision of Mr. Richard L. Metcalfe, who was appointed a member of the Isthmian Canal Commission on August 9, 1913, succeeding Commissioner M. H. Thatcher. He arrived on the Isthmus on August 7, 1913, and was assigned to charge of the department on the date his appointment became effective. Since the reorganization Mr. Metcalfe has been a member of the committee for the formal and official opening of The Panama Canal, created by Executive order dated May 20, 1914. The department embraces the general office business of the Governor, the work under the supervision of the executive secretary as already outlined, the courts, and the offices of the special attorney, the district attorney, and the Canal Record. It is in charge of Mr. C. A. McIlvaine, acting under the Governor.

Customs service.—During the year 280 vessels entered the port of Balboa, of a total tonnage of 569,681, and 277 vessels cleared, of a total tonnage of 558,334. At Cristobal 295 vessels entered, of a tonnage of 832,579, and 296 vessels cleared, of a tonnage of 838,708. The usual customs services were rendered seamen and vessels, and the interests of Panama were guarded by customs inspectors on the wharves.

Administration of estates.—The estates of 452 deceased and insane employees of The Panama Canal and the Panama Railroad Co. were administered during the year, and there were 20 estates in the course of settlement on June 30. Of the estates settled during the year, 323 were settled with the consular representatives in Panama of the countries of which the deceased were citizens or subjects, 126 estates were settled direct with the heirs, 2 estates were repaid to persons who had recovered their sanity, and 1 estate was divided pro rata among the claimants. The total amount involved was $36,025.95.

Division of posts.—At the close of the year there were 13 post offices in operation, 6 of the 17 offices in existence at the close of the fiscal year 1913 having been discontinued, while 2 new offices were established. The sale of postage stamps and postal cards, including the revenue derived from the sale of stamp books, amounted to $90,590.63, as compared with $100,485.54 for the previous fiscal year, and $463.67 were collected for second-class mail matter, as compared with $318.84 for the preceding year. Money orders amounting to $4,029,364.83 were issued, the fees from which amounted to $19,048.11. As compared with the preceding year there was a decrease of $854,259.30 in the amount, and a decrease of $3,938.71 in the fees collected.

There were 5,113 postal savings accounts opened during the year, 2,180 of which were active at its close, with deposits aggregating $498,481. The 2,180 depositors included citizens or subjects of 51 nations and dependencies. The total amount of deposits for the year was $1,708,530, as compared with $1,601,616 for the previous year. In addition to the postal savings accounts there were on deposit at the close of the year $70,750.41 in the form of money orders issued and drawn on Canal Zone post offices payable to the remitter. This amount belongs almost exclusively to employees of The Panama Canal and the Panama Railroad Co.

Division of schools.—The schools opened on October 1, 1913, with an enrollment in that month of 2,167 children, 1,109 in the white schools and 1,058 in the colored schools, as compared with 2,199 during the month of October, 1912. The total enrollment during the year was 1,270 in the white schools and 1,492 in the colored schools. No new school buildings were constructed during the year, although one building was removed and reerected and several rooms added to existing buildings. In addition to the white schools at Gorgona and Toro Point and the colored schools at Gorgona and Matachin reported closed in the report for the year ended June 30, 1913, the white school at Bas Obispo and the colored schools at Miraflores, Pedro Miguel, and Cruces were not reopened, and schools were permanently closed during the year at Mandingo December 19, 1913; Marajal colored school February 6, 1914; and branch high school at Empire on February 20, 1914; the white school at Porto Bello on April 24, 1914, and the colored school at Cucaracha on May 29, 1914. The sum of $1,089 was collected as tuition from nonresidents of the Canal Zone, as compared with $744 collected during the year ended June 30, 1913. During the year medical inspection of the white schools was continued, fire drills were inaugurated during the year, and hand chemical extinguishers were installed in all the schools. A public-school athletic league was formed in the white schools, and an annual meet of the league was held on June 12, 1914, in the canal clubhouses at Balboa, Corozal, Empire, Gatun, and Cristobal. There were 198 participants.

Police and fire division.—The division of police and prisons and the division of fire protection were consolidated on April 15, 1914, under the designation "police and fire division." The positions of assistant chief of police, fire chief, and assistant fire chief were abolished and the position of fire inspector created. The station at Gorgona and the substation at Matachin were closed on July 17, 1913, and these towns were designated as call stations with police protection furnished from the Bas Obispo station. On August 31, 1913, the call station at Matachin was abolished, and on December 15,

1913, the station at Bas Obispo was abolished. On July 18, 1913, the call station at Cucaracha was abolished. On September 14, 1913, the station at Miraflores was abolished; the station at Las Cascadas on December 15, 1913, the necessary police protection being furnished from the Empire station. The Mount Hope station was abolished on April 15, 1914; the station at Paraiso on the same date, and the station at Porto Bello on May 13, 1914. The number of arrests during the year totaled 4,911, of which 4,455 were males and 456 females, as compared with 6,827 arrests for the previous fiscal year. There were 5,021 charges made against persons arrested, of which 4,713 were for misdemeanors and 308 for felonies. Of the total number of persons arrested 3,927 were convicted. There were 75 convicts confined in the penitentiary on June 30, 1914, as compared with 133 on June 30, 1913. All of the convicts, with the exception of a sufficient detail to do the necessary work at the penitentiary, were employed continuously on the construction of the Gamboa-Empire Road. The value of the labor performed, on the basis of 10 cents an hour for each convict, was $21,615.45, and the cost of their subsistence, guarding, and clothing amounted to $26,893.04. The operation and supervision of the public markets of the Canal Zone and the slaughterhouses were turned over to the police division, effective July 16, 1913. At Empire 1,533 animals were killed, and the revenue derived therefrom was $5,065. The rentals derived from the stalls and tables in the public markets amounted to $2,599.75. There were five markets in operation on June 30, 1914, three having been discontinued during the year.

In September, 1913, the fire station, together with the equipment, at Gorgona was removed to Corozal, and the one-man volunteer fire station at this point was discontinued. The Las Cascadas station was closed on April 30, 1914, and the apparatus and equipment desired by the military authorities at that point were transferred to them. The fire equipment was withdrawn from the Bas Obispo and Porto Bello stations on August 20, 1913, and May 6, 1914, respectively. No new stations were constructed during the year, nor was any new apparatus purchased. The fire pump and turret nozzle, which were removed from the tug *Bolivar* during the preceding year, were installed on *Clapet No. 7* in August, 1913, to provide water front and harbor fire protection at Balboa. Fire protection was provided for the new piers, Nos. 8 and 9, at Cristobal, which required laying a 6-inch water main on the piers, with an ample supply of mains and standpipes. During the year 215 alarms were responded to, 8 of which were false; of the 207 actual fires 98 occurred in the property of The Panama Canal, 14 in Panama Railroad property, 27 in private property, and 68 in grass, rubbish, dumps, etc., on the Canal Zone. Of the fires in private property 11 occurred in the city

of Colon, 1 in the city of Panama, 1 at old Porto Bello, in the Republic of Panama, and 14 in the Canal Zone. The largest fire in the Canal Zone occurred on January 3, 1914, in a pile of creosoted and untreated piling stored about three-quarters of a mile south of the shops at Balboa where it was impossible to drive the fire apparatus. The automobile fire engine was loaded on a railroad flat car and hauled to the scene. The total loss to The Panama Canal resulting from fire was $14,551.71.

Courts.—The Supreme Court of the Canal Zone held 24 sessions and disposed of 29 cases—3 criminal, 25 civil, and 1 habeas corpus case—and ceased to exist on June 30, 1914.

The Circuit Court of the Third Judicial Circuit at Cristobal held its last criminal session on March 26, 1914. At Ancon the last regular session of the Circuit Court of the First Judicial Circuit was held on March 30, 1914; and at Empire the last regular session of the Circuit Court of the Second Judicial Circuit was held on March 31, 1914. While all further business relating to these courts was formally ordered over to the new district court on April 1, they continued to act on civil cases until May 1, pending the confirmation of the appointment of the new district judge. In the circuit courts during the period July 1, 1913, to May 1, 1914, there were 395 criminal cases filed and there were 4 criminal cases pending on July 1, 1913, making a total of 399. Of this total, 370 cases were disposed of, leaving 29 criminal cases pending on May 1, 1914. There were 158 civil cases filed during the period and 51 civil cases were pending on July 1, 1913, making a total of 209 civil cases. Of this number, 179 were disposed of, leaving 30 civil cases pending on May 1, 1914. There were 435 probate cases filed, which, with the 57 probate cases pending on July 1, 1913, made a total of 492 probate cases before the court. The circuit courts held 225 sessions, and the collections amounted to $6,327.57. The district courts were discontinued on April 1, 1914. During the period July 1, 1913, to April 1, 1914, there were 4,183 cases settled, 3,656 of which were criminal, and the rest civil. There were pending on July 1, 1913, 35 civil and 3 criminal cases, and there was pending on April 1, 1914, when the courts closed, 1 civil case.

On April 1, 1914, the courts of the Canal Zone ceased to exist, pursuant to the provisions of the Executive order of March 12, 1914, issued under authority of the Panama Canal act approved August 24, 1912, with the exception of the supreme court, which went out of existence on June 30, 1914. The judiciary created by the act of Congress above cited consists of one district court and two magistrates' courts. The district court consists of two divisions, known as the Balboa division and the Cristobal division. The former includes all that part of the Canal Zone which lies within the lines of the 10-mile

zone and extends from the south bank of the Chagres River and the shore line of Gatun Lake, 87 feet above mean sea level, to the Pacific Ocean. The latter includes all of the territory within the lines of the 10-mile zone extending from the Balboa division to the Atlantic Ocean and the area of Gatun Lake beyond the lines of the 10-mile zone up to the contour line of 100 feet above mean sea level and the islands and peninsulas in and bordering on Gatun Lake which have been taken by the United States for the purposes of The Panama Canal. There is a magistrate's court for each of the towns of Cristobal and Balboa, the jurisdiction of each covering that division, into which the Canal Zone is divided as described for the district court, in which the town is located.

The district court has original jurisdiction of all felony cases, all causes in equity and admiralty, all cases at law involving principal sums exceeding $300, and all appeals from judgments rendered in magistrates' courts. The jurisdiction in admiralty of the district court is the same as that exercised by the United States district courts and the procedure and practice are also the same. The Circuit Court of Appeals of the Fifth Circuit of the United States has jurisdiction to review, revise, modify, reverse, or affirm the final judgments and decrees of the district court of the Canal Zone in certain cases, and final appeal may be had to the Supreme Court of the United States in the same manner as appeals from the district courts of the United States.

The magistrates' courts have exclusive original jurisdiction throughout the subdivision in which situated of all civil cases in which the principal sum claimed does not exceed $300, and all criminal cases wherein the punishment that may be imposed does not exceed a fine of $100 or imprisonment not exceeding 30 days, or both, and all violations of police regulations and ordinances and all actions involving possession or title to personal property or the forcible entry and detainer of real estate. The magistrates also hold preliminary investigations in charges of felony, and commit or bail in bailable cases to the district court.

In the district court under the new judicial system, during the months of May and June, 1914, 206 cases were settled—9 civil, 120 probate, and 77 criminal. In the magistrates' courts a total of 1,203 cases were settled, leaving 18 cases pending on July 1, 1914.

Negotiations carried on with the officials of the Republic of Panama included the following subjects: The enforcement of the quarantine regulations; the establishment of rates for the transportation of passengers by automobile between points in the Canal Zone and points in the cities of Panama and Colon; the enforcement of sanitary rules and regulations; the use of revenue stamps on bills submitted by the Isthmian Canal Commission and the Panama Rail-

road Co. against the Government of Panama; the new contract for street cleaning and garbage removal in the city of Panama; charge for interments made in the Canal Zone of the remains of persons who resided in the Republic; water supply for the village of Taboga; certification by Panaman consuls of manifests of ships clearing for ports of the Canal Zone; jurisdiction of the United States over islands and peninsulas in the Republic formed by the waters of Gatun Lake; the sale in the Republic of dynamite stolen from The Panama Canal; the collection of burial fees for interments in Canal Zone cemeteries of indigents from the Republic; the assessment of a commercial tax by the Republic on steamers of the Panama Railroad Steamship Co.; improvements in the Chorrillo district of the city of Panama; misuse of transportation issued to employees of the Republic; modification of the existing arrangement for the purchase of postage stamps used in the Canal Zone; the sale of the old Administration Building in the city of Panama; water supply for the section of Panama known as "El Hatillo"; cooperation of Panama health officers with those of the Zone in an effort to prevent the introduction of plague into Panama from infected ports on the west coast of South America; enforcement of the exclusion law in the Canal Zone; the use in Canal Zone post offices of United States postage-due stamps; modification of the existing agreement respecting the release of mail parcels received by gold employees through the Canal Zone post offices; the arrest in Panama of Panama Canal employees while engaged in the discharge of their duties; the care of patients by the health department for the Republic in consideration of the withdrawal of the request of the Panaman Government for the establishment of an independent hospital in the city of Colon; the removal of garbage and street cleaning in the city of Panama; the construction in the Republic of military trails at the expense of the United States; the segregation of stables in the city of Panama within certain defined areas; the desirability of having the Panaman Government cancel the licenses for five saloons near the Zone boundary line in the Folks River district; the granting of commissary privileges to certain persons not connected with The Panama Canal or the Panama Railroad Co.; the deportation of an American in the city of Panama charged with fraudulently representing himself as an attorney licensed to practice in the Canal Zone courts; the deportation of criminal characters from the Canal Zone; the violation of quarantine regulations; the securing of statistics concerning the health conditions in the interior towns of the Republic; the promulgation by Panama of a resolution with reference to manifests of vessels arriving at ports of the Canal Zone with cargo for consignees in the Republic of Panama; substitution of properly surcharged stamps of the Republic for surcharged United States postage-due

stamps being used in Canal Zone post offices; installation and cost of municipal improvements in the area in the city of Colon set aside for the erection of manufacturing plants; protection of the revenues of Panama in connection with parcel-post entries into the Canal Zone; and the admission to Ancon Hospital, as pay patients, of Americans residing in the Republic of Panama who, on account of the character of their employment, are not entitled to hospital privileges. The relations with the Republic of Panama and with foreign representatives continued satisfactory.

Time keeping.—During the fiscal year the time-keeping work was gradually centralized, until at its close the time keeping of all departments and divisions, with the exception of the Panama Railroad Co., was being done by the time-keeping bureau. This work included the entering of time on the time rolls, the preparation of pay rolls and pay receipts, the issuing of coupon books, and the keeping of proper statistics and records of the work performed.

Clubs and playgrounds.—The division of clubhouses continued to exist from July 1, 1913, to March 31, 1914, when, in the reorganization, it became the bureau of clubs and playgrounds. Its activities were conducted under the supervision of secretaries furnished by the Young Men's Christian Association. The Gorgona clubhouse was closed on August 1, 1913, and was removed to Pedro Miguel, where it was reerected and opened January 27, 1914. The Porto Bello clubhouse was closed May 1, 1914, and is now being reerected with improvements as a clubhouse for colored men at La Boca. It has been decided to inaugurate a system of playgrounds in the permanent towns of the Canal Zone, and the installation of equipment and supervision will be under the jurisdiction of this bureau.

Canal Record.—The Canal Record was continued under the direction of the secretary of the commission, Mr. Joseph Bucklin Bishop, until April 1, 1914, when he was designated special secretary and continued in charge until July 1, when he resigned from the service. The Canal Record was on this date transferred to the charge of the executive secretary.

Law.—The law department continued in charge of Judge Frank Feuille until April 1, when the reorganization in conformity with section 4 of the Panama Canal act of August 24, 1912, became effective. Since April 1, and under authority of the act of April 6, 1914, Judge Feuille was continued as special attorney for the purpose of codifying the laws of the Canal Zone and to defend the interests of the United States before the joint land commission in the acquisition of lands in private ownership which are being taken over in accordance with the Executive order of December 5, 1912.

A number of Executive orders of a legislative character were issued during the year, the more important of which were the orders

prohibiting flights over the Isthmus by machines; providing punishment to deported persons returning to the Canal Zone; fixing the legal rates of interest; prohibiting gifts or gratuities to agents, employees, or servants; providing punishment for persons engaged in the practice of hunting deer or other animals at night by the use of lanterns or torches; to establish the permanent organization for the Canal Zone; and the order conferring power upon the Governor of the Panama Canal Zone to remit fines and forfeitures, to grant pardons, reprieves, and commutations of sentences, and to establish a system of paroling prisoners.

The joint land commission, appointed under The Panama Canal treaty between the United States and the Republic of Panama, was in session during the fiscal year from July 1 until about the middle of September, when one of the American commissioners resigned, his resignation being followed by that of the other American commissioner not long thereafter. The land commission as then organized heard and disposed of 1,253 claims. Of these 602 were dismissed and awards made in 629 cases. The commission disagreed in 22 cases. During the same period the law department settled 752 claims, aggregating the sum of $48,659, without the intervention of the joint land commission. From the date of the discontinuance of the sessions of the joint land commission until the end of the fiscal year the law department adjusted 1,528 claims, aggregating the sum of $96,080.50; so that the total number of claims settled without the intervention of the joint land commission during the fiscal year was 1,903, aggregating the sum of $147,452.50. On the 25th of May, 1914, the joint land commission was reorganized with Messrs. Federico Boyd and Samuel Lewis, who served on the previous commission, and Messrs. Levi Monroe Kagy and David Marks, the two American members. The work of the commission was interrupted soon thereafter by the death of Commissioner Marks, which occurred at Ancon Hospital on July 17, 1914.

All leases for lots in the Culebra and Empire districts, including the villages of Empire, New Empire, Camacho, Golden Green, New Culebra, Cow Pen, and West Culebra, were canceled on behalf of the Panama Railroad, effective June 30, 1914. At the same time leases for Panama Railroad lots in the town of New Gatun were canceled, but the cancellation did not become effective until after the close of the fiscal year.

WASHINGTON OFFICE.

The work of the Washington office continued in charge of Maj. F. C. Boggs, United States Army, and the organization remained as previously reported until April 1, 1914. On that date, under the provisions of the Executive order of March 2, 1914, the office of assistant auditor was created in place of the office of assistant ex-

aminer of accounts. Under the assistant auditor was placed a disbursing clerk, and the disbursing office was abolished. The scope of the work was about the same as previously reported, except that practically all of the independent inspection forces which were located at points in the United States outside of Washington were abolished or greatly reduced. Due to a continued effort to reduce the supply of material on the Isthmus to a minimum, the work of the purchasing department was even greater than during the previous fiscal year.

During the year 2,248 persons within the United States were tendered employment for duty on the Isthmus in grades above that of laborer; 1,429 accepted and were appointed, covering 71 different classes of employment.

The total amount of purchase orders placed was $12,392,407.78. Many of the largest contracts were for permanent equipment: For chain fenders and chain, $192,865.90; coal-handling plants, $1,929,103.85; terminal facilities and docks, $224,004.44; floating caisson, $333,851.20; single track movable span bridge, $55,674; transmission line, $505,511.84; filtration plants, $150,576.79; material and equipment for buildings and quarters, $53,824.02; Balboa shops, buildings, $155,547.89; machinery, $146,367.16; two 12,000-ton colliers, $1,975,000; 2 tugboats, $304,000; and 9 gasoline motor boats, $54,392. Other principal items purchased included 2,490 pounds of explosives, 22,200,000 feet of lumber, 20,000 crossties, and 18,311 piles. During the year 592,674 barrels of cement were purchased.

OPERATION AND MAINTENANCE.

As already outlined, the organization made effective April 1, 1914, provided for a department of operation and maintenance under the governor, who was to be assisted in the administration of the department by an engineer of maintenance and a superintendent of canal transportation. Capt. Hugh Rodman, United States Navy, having been ordered by the Secretary of the Navy to report for duty, was appointed superintendent of canal transportation, and was charged with the safe conduct of vessels through The Panama Canal, except at the locks. He was also given supervision of the port captains, the board of local inspectors, the pilots, the operation of lights and beacons subsequent to June 15, and the inspection and admeasuring of vessels. The offices of the captains of the ports at Cristobal and Balboa were established on May 5, and they were charged with the duty of the assignment of wharves, docking and berthing of vessels, furnishing of pilot service to shipping, the admeasurement of vessels for transit through the canal, and the general supervision and enforcement of canal and harbor regula-

tions relating to shipping. Eight pilots were appointed—four at each end, and their services have been utilized in piloting vessels in and out of the terminal ports, in connection with lightering cargo through the canal, in familiarizing themselves with the aids to navigation and with the canal route.

Due to the condition of affairs in Mexico and the interruption of the Tehuantepec route, demands upon the Panama Railroad for the transshipment of freight became so great that it was necessary to institute a barge service through the canal, and this was made effective on May 15, when the barges were towed through the canal from Colon to Balboa, and continued the rest of the year. Tolls were paid by the Panama Railroad Co., and aggregated for the year $11,610.69.

Maintenance work was undertaken at the locks and covered miscellaneous repairs, as well as the care necessary to keep the machinery in satisfactory working order. The maintenance charges were made applicable only after the work had been entirely completed in each instance. The amount expended for such repairs and maintenance work aggregated $120,287.99. The heavier expenditures were at the locks and were incurred in connection with the gates, emergency dams, miter gate moving machines, rising stem valve machines, cylindrical valve machines, and in lighting. Work was also done in repainting the gates, caissons and caring for the machines of the spillways. There were also expended $16,570.44 of the amount above noted for maintenance in clearing vegetation and pulling trees from the canal channel, and removing timbers and driftwood from the vicinity of the locks.

SANITATION.

The sanitation of the Canal Zone was placed in charge of the health department, under Lieut.-Col. Charles F. Mason, United States Army, as chief health officer, and this department is charged with the care of the sick and injured of the Canal Zone, the prevention of disease in the Canal Zone and the cities of Panama and Colon, street cleaning and garbage removal in the latter cities, and all matters relating to quarantine. Lately, matters relating to charity have been added to its scope. The administration is divided into three divisions, each having its own special work to perform—the division of hospitals and charities, the sanitary division, and the quarantine division.

Division of hospitals and charities.—This division maintains hospitals at Ancon and Colon and assists in maintaining the Santo Tomas Hospital in the city of Panama. It also maintains institutions for the care of the insane and lepers of both the Canal Zone and the Republic of Panama and for employees permanently dis-

abled through injury. It provides a dispensary with a physician and necessary attendants in each of the districts into which the Canal Zone is divided. These district physicians attend the sick within their districts, send patients to the hospital, perform vaccinations, make inspections of schools, hotels, restaurants, Canal quarters, etc., and report all births and deaths.

Sanitary division.—The sanitary division has three sections—the health office of Panama, the health office of Colon, and the Canal Zone section. In the Canal Zone section each district has a sanitary inspector, with necessary foremen and laborers, all under the direct charge of a general inspector. These inspectors keep close watch upon their districts, with a view of preventing and controlling conditions which might give rise to disease, and especially endeavor to prevent the breeding of disease-carrying mosquitoes and flies. For this purpose they supervise the construction and maintenance of drainage ditches, and the cutting of grass and brush, oil pools and the edges of large bodies of water, supervise the removal of garbage and night soil, trap and catch mosquitoes in Panama Canal quarters, disinfect pit and other closets, and disinfect buildings for contagious diseases. They are charged with the enforcement of the sanitary regulations, and have authority to personally make arrests when they have witnessed a violation of the regulations. They also issue burial permits, make interments of the dead, and care for cemeteries. They keep charts of the prevalence of malaria in their districts, and immediately investigate and take action upon any increase therein.

The work done by the health officers of Panama and Colon is that done by health officers everywhere. In addition, they have charge of street cleaning, garbage removal, grass and brush cutting, oiling of pools, fumigation, disinfection, etc. Their duties in enforcing sanitary rules and regulations are extensive and include vaccinations, the control of infectious and contagious diseases, special precautions against quarantinable diseases prevailing in the Tropics, control of burials, inspection of slaughterhouses and of cattle for slaughter, inspection of markets, enforcement of pure-food regulations, inspection of bakeries and dairies, examination of milk, inspection of stables, bottling works, and barber shops. A large part of their time is given up to enforcement of the sanitary building regulations, especially with reference to rat proofing as a protection against plague.

Quarantine division.—The quarantine division is in direct charge of a chief quarantine officer and maintains large establishments at each end of the canal—one for the cities of Panama and Balboa and the others for the cities of Colon and Cristobal. It also maintains a quarantine officer at Bocas del Toro, for the control of quarantine matters at that port. This division, already large, is expected to increase greatly in proportions when the canal is open to traffic, and

will include some new features in the arrangement for the passage of ships through the canal in quarantine. A piece of ground on the Balboa dump, fronting upon the canal and adjoining Fort Amador on the south and the radio station on the east, has been assigned as a permanent site for the Panama quarantine station. A board has been appointed to select a site for a permanent quarantine station at Cristobal.

FORTIFICATIONS.

Work was continued during the year on the gun and mortar batteries, and by the close of the year the concrete work was practically completed, as well as the greater portion of the back fill. On July 1, 1913, the construction of redoubts in accordance with plans prepared by a board appointed for the purpose and approved by the Secretary of War, was undertaken, and they were completed, as well as the clearing necessary in connection with them.

The work was in charge of Lieut. Col. George R. Goethals, United States Army, assisted by Lieut. A. H. Acher, United States Army; Lieut. C. Garlington, United States Army; and Mr. R. M. Elder, superintendent of construction.

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Respectfully submitted.

GEO. W. GOETHALS,
Colonel, Corps of Engineers, United States Army,
Governor.

The Hon. LINDLEY M. GARRISON,
Secretary of War, Washington, D. C.

REPORT

OF

THE ATTORNEY GENERAL.

DEPARTMENT OF JUSTICE,
Washington, D. C., December 7, 1914.

To the Senate and House of Representatives of the United States of America in Congress assembled:

I have the honor to submit a report of the business of the Department of Justice during the fiscal year ended June 30, 1914, together with some recommendations for new legislation.

RECOMMENDATIONS.

1. AMENDMENT OF COMMODITY CLAUSE OF INTERSTATE COMMERCE ACT.

In United States *v.* Delaware & Hudson Co. (213 U. S., 366) the Supreme Court construed the commodities clause as prohibiting a railroad from transporting articles in which at the time of transportation it has any interest, direct or indirect, in a legal or equitable sense. It further held that a railroad does not necessarily have an interest, direct or indirect, in a legal or equitable sense, in articles manufactured or produced by a bona fide corporation of which the railroad is a stockholder. In a later case (United States *v.* Lehigh Valley Railroad Co., 220 U. S., 257) the court held that if the corporation owning the articles transported by the railroad was so identified with the railroad as in fact to be but an arm of the railroad, then the railroad would have an interest in the articles in the sense of the statute. Under this construction it has been claimed that the statute is not violated unless the railroad has the required interest in the articles at the very time of transportation. Thinking to bring themselves within this construction of the act, the following plan has been devised:

A railroad company engaged, say, in mining coal, either directly or indirectly through a controlled corporation which is but a part of itself, organizes a new corporation the stock of which is distributed ratably amongst the stockholders of the railroad and the management of which will be dominated by officers of the railroad company.

Thereupon the railroad will sell to the new corporation at the mouth of the mines its production of coal under a contract which puts the new corporation largely, if not completely, within the power of the railroad. This plan has been challenged in the case now pending in the Supreme Court of the United States against the Delaware, Lackawanna & Western Railroad Co. and the Delaware, Lackawanna & Western Coal Co. The Government lost in the district court. Even though it should be successful in the Supreme Court, the commodities clause will still fall short of the purpose of Congress in enacting it, which was, I think, to divorce transportation from production. I recommend an amendment which will prohibit a railroad from transporting in interstate commerce articles which it manufactured or produced, or which were manufactured or produced by any corporation controlled by it or affiliated with it by having the same controlling stockholders, irrespective of whether such railroad or such controlled or affiliated corporation has an interest in the articles at the time of transportation. It is also necessary, if transportation and production are to be completely divorced, that Congress prohibit any railroad owned or controlled by a producing or trading corporation, and not operated merely as a plant facility, from transporting in interstate commerce articles produced or owned by such corporation, and I recommend appropriate legislation to that end.

2. KILLING A FEDERAL OFFICER MADE A CRIME.

Under the Federal Statutes it is a crime to assault, beat, or wound an officer of the United States engaged in serving or executing process (see Federal Penal Code, sec. 140), but it is no Federal crime to kill such officer under the same circumstances. I suggest that the law be so amended as to make it a crime to kill a Federal officer under the circumstances mentioned in section 140.

3. REVISION OF JUVENILE COURT LAWS.

Impressed with the importance of considering the question of the amendment, revision, and codification of the laws in force in the District of Columbia pertaining to children and to the jurisdiction, practice, and procedure of the Juvenile Court of the District, my predecessor, on March 6, 1914, appointed a committee composed of Bernard Flexner, of Chicago, chairman; Miss Julia C. Lathrop, chief of the Children's Bureau, Department of Labor; Rev. William J. Kerby, professor of sociology, Catholic University of America, Washington, D. C.; Walter C. Clephane, Washington, D. C.; and William H. Baldwin, Washington, D. C., to study the present laws and needs of the District in this particular and to advise the Attorney

General, accompanying its report with a draft of a code adequate to give the District satisfactory laws upon these subjects, and which might be used as a general model. This committee, acting without compensation, has held frequent meetings, and I am advised that its report will be ready at an early date.

I am of the opinion that the present juvenile laws of the District of Columbia are antiquated. Copies of the report of the committee and of the proposed revision of the juvenile code will be transmitted to Congress with the hope that they may have your very earnest consideration.

4. SEARCH WARRANTS AUTHORIZED IN ADDITIONAL CASES.

Swindling advertising frauds working great hardships upon the credulous poor, depend almost entirely on the use of the mails for their successful accomplishment. Documentary evidence, only procurable by search, is almost indispensable to convict these swindlers and protect their victims.

A recent decision of the Supreme Court, known as the Fremont Weeks case (232 U. S., 383), illustrates the difficulties encountered by the Government in investigating and punishing this character of crime. The court itself suggested a remedy in the following language:

> The United States marshal could only have invaded the house * * * when armed with a warrant issued as required by the Constitution.

All existing acts of Congress authorizing search warrants are specific and so limited that no authority exists for warrants to recover stolen Government property or property produced by, used for, or devoted to criminal uses, save on specific conditions under customs, revenue, Indian liquor, fishery, interstate commerce transportation, and obscene literature cases.

The legislative power to authorize search warrants in the general class of cases first referred to is undoubted. Its need is imminent. A bill (H. R. 16474) carefully drawn and adequately meeting the situation, was introduced in May of the current year by the House Judiciary Committee. I urge that it be speedily enacted into law.

5. POWER OF GRAND JURIES ENLARGED.

I recommend that Congress by legislation empower any grand jury called in a district to investigate crimes committed in any division of the district. Federal courts are in conflict as to the scope of existing legislation in this regard. As an indictment is a mere accusation and a defendant is not entitled to appear or be heard by his witnesses or to know of the action until after the indictment is

filed, it is eminently proper that the investigation be had anywhere in the district, as would be done if there were no divisions. Under existing law the grand jurors are not chosen from any particular division, but from the whole district.

6. ARREST AND REMOVAL WITHOUT COMMITMENT ON WARRANT BASED ON INDICTMENT.

Under section 1014 and subsequent sections of the Revised Statutes of the United States, commissioners, mayors of cities, and justices of the peace or other magistrates, as well as judges, are empowered to discharge or commit persons accused of violating the Federal statutes in other districts. Under a practice followed by some of these officials the entire case is frequently gone into and the Government required to incur heavy expense bills in producing testimony sufficient to satisfy the presiding officer that the indictment was properly found, with no right of appeal on the part of the Government in case of the improper discharge of the prisoner. The prisoner may take an appeal, and by carrying his case through the different courts may usually delay his trial for a year or more. It is oftentimes more difficult and expensive to compel an accused person, who lives in a State other than the one where the offense is committed, to respond to an accusation than it is to secure extradition from a foreign country. The Federal laws apply to every part of the United States and the procedure to secure the punishment of an offense and the presence of the offender before the court should be as far-reaching as the law declaring the offense. Under the prevailing practice offenders against these uniform laws, while living within the borders of the United States, frequently gain practical immunity from punishment. Section 1014 was an amendment made in 1842 of section 33 of the Federal judiciary act of 1789. (1 Stat., 91.) The amendment, so far as concerns this question, merely adds minor officers to those previously empowered to act. The original act was passed when travel was slow and communication tardy and uncertain, and is not suited to existing conditions. At the present time an accused person can reach the place where the accusation is laid and learn its nature in the briefest period from any part of the United States.

It occurs to me that the situation could be much improved by legislation authorizing the judge into whose court an indictment is returned to consider the testimony introduced before the grand jury and enter an order making the warrant of arrest run to all parts of the Federal territory, a certified copy of the order to accompany the warrant. I recommend that section 1014 be amended so as to accomplish this result.

7. AMENDMENT OF FOOD AND DRUGS ACT.

In section 10 of the food and drugs act (34 Stat., 768) it is provided:

> And if such article is condemned * * * the same shall be disposed of by destruction or sale, as the said court may direct, and the proceeds thereof, if sold, less the legal costs and charges, shall be paid into the Treasury of the United States.

In order that the "legal costs and charges" may be paid to the persons entitled thereto out of proceeds accruing from sales of condemned goods, such persons must await the sale of said goods. This works a hardship upon them and sometimes interferes with the prompt and economical handling of such cases. I recommend that the words "less the legal costs and charges" be stricken from the section. This will permit prompt payment of such charges out of regular appropriations, and, since the proceeds of all sales are paid into the Treasury, the Government would not lose by the change.

8. AMENDMENT OF INSECTICIDE ACT.

For like reasons I recommend a similar change in section 10 of the insecticide act of 1910 (36 Stat., 331), which is modeled on the food-and-drugs act, and in its present form subject to the same criticism.

9. AMENDMENT TO THE 28-HOUR LAW.

I further recommend that appropriate legislation be enacted to give the Secretary of Agriculture authority to examine the records and papers of common carriers engaged in interstate commerce, pertaining to the transportation of live stock, so that he may make thorough investigation of suspected violations of the 28-hour law. This would add to the efficiency of the law and decrease the cost of its administration.

10. AMENDMENT OF BANKRUPTCY ACT.

The development of certain facts by the Bureau of Investigation led to the suggestion in the Attorney General's reports for the fiscal years 1912 and 1913 of certain amendments to the bankruptcy act. I renew these suggestions, as follows:

(*a*) Limitations should be put on attorneys' fees in bankruptcy proceedings. In some instances the amounts allowed appear to have been extravagant, if not wholly unwarranted.

(*b*) A general rule should determine whether expenses in referees' offices should include such items as office rent, general stenographic

services, etc., and there should be some method provided for better regulation of such items, if included.

(*c*) A rule should be established determining what fees should be collected by the clerk of the court where a partnership and the individual partners file petitions in bankruptcy or are adjudged bankrupts at the same time, and what fees should be collected in ancillary proceedings.

(*d*) Certain undistributed balances of funds in so-called closed bankruptcy estates have remained in the custody of court officials where the claims have not been paid in full, and, for some reason—presumably because of the large number of creditors—have been considered undistributable. A year ago, in the southern district of Georgia, for instance, it appeared that balances of from 1 cent to $337.95, totaling $5,482.78, remained in the hands of the officers. It is suggested that these amounts, after a reasonable lapse of time, should be paid into the Treasury.

11. PREPARATION AND PRINTING OF RECORDS AND FEES FOR SAME.

There is urgent need for legislation with reference to the preparation and printing of the records of cases presented to the appellate courts. The act of February 13, 1911 (36 Stat., 901), entitled "An act to diminish the expense of proceedings on appeal and writ of error or of certiorari," has led to confusion. I recommend that the Supreme Court be empowered to promulgate uniform rules governing the preparation and printing of records for all of the appellate courts of the United States and fixing the fees and charges in connection therewith.

I renew recommendations of my predecessor as follows:

12. APPOINTMENT OF AN ADDITIONAL JUDGE WHERE THE INCUMBENT IS OVER 70 YEARS OF AGE.

Judges of United States courts at the age of 70, after having served 10 years, may retire upon full pay. In the past many judges have availed themselves of this privilege. Some, however, have remained upon the bench long beyond the time when they were capable of adequately discharging their duties, and in consequence the administration of justice has suffered. The power of Congress to correct this condition is limited by the provision of the Constitution, that judges shall hold their offices during good behavior. I suggest an act providing when any judge of a Federal court below the Supreme Court fails to avail himself of the privilege of retiring now granted by law, that the President be required, with the advice and consent of the Senate, to appoint another judge, who shall preside

over the affairs of the court and have precedence over the older one. This will insure at all times the presence of a judge sufficiently active to discharge promptly and adequately the duties of the court.

13. BUILDING FOR THE DEPARTMENT OF JUSTICE.

Attention is again called to the urgent need of a building for the department, which now occupies seven buildings originally constructed for residential purposes, with an overflow in a modern office building. The seven residential buildings are not fireproof, are without vaults, and the office records are constantly exposed to destruction by fire. The scattered location of the buildings and the bad interior arrangement of them, due to the fact that they were not designed for business uses, and the present crowded and insanitary conditions, prevent proper organization and renders a high degree of efficiency impossible. A new building would be greatly in the interest of both efficiency and economy in the service. Section 31 of the public-building act approved June 25, 1910, authorized the Secretary of the Treasury to prepare designs and estimates for a separate fireproof building, but did not authorize its construction. A site has been purchased by the Government, and a bill was introduced in the last Congress (H. R. 13870) making an appropriation for construction. It is recommended that this bill be passed at the earliest possible date.

The Acting Solicitor of the Treasury and the Assistant Attorney General at New York, in charge of customs matters, have in their reports, appearing, respectively, on pages 295 and 311, recommended certain changes in the Federal statutes, which are submitted for consideration.

ENFORCEMENT OF THE FEDERAL ANTITRUST LAW.

No branch of the work of this department more vitally affects the public interest than the enforcement of the antitrust act, since the preservation of fair competition in trade and the prevention of monopoly, for which it is designed, are essential to the general welfare.

Complaints of violations of this law are very numerous and, where they have any foundation at all, usually involve very complex states of fact—often an entire industry must be studied in order to reach a conclusion. In the nature of things, therefore, complaints of this character can not be rapidly disposed of.

Every substantial complaint is investigated. In general, the procedure is to refer the complaint to the United States attorney for the appropriate district, whose duty it is to make an investigation, with the assistance of a special agent, and report the facts to the

department, together with his conclusions and recommendations. Where the complaint can not be adequately or conveniently investigated by any regular United States attorney a special attorney is designated.

During the period from July 1, 1913, up to the present time, 16 cases have been finally determined—8 civil and 8 criminal.

There are pending at this time 47 cases—32 civil and 15 criminal—of which 15 cases—6 civil and 9 criminal—were instituted during the present administration.

Since July 1, 1913, 18 cases have been instituted—7 civil and 11 criminal—of which 5 have been finally determined—3 civil and 2 criminal.

Cases Finally Determined.

NEW HAVEN CASE.

In May, 1908, a suit was instituted under the antitrust act attacking, in part only, however, the monopoly of transportation facilities in New England held by the New York, New Haven & Hartford Railroad Co. In June, 1909, that suit was discontinued. Thereafter the New Haven Co. still further strengthened its hold upon the transportation facilities of New England.

Regarding the creation of this monopoly as a defiant violation of the antitrust act, my predecessor, immediately upon taking office, began preparations to attack it. By that time, however, the New Haven Co. and the Boston & Maine Railroad, which it controls, had been reduced to the unfortunate state now known to all the country. In consequence, their securities, which were widely distributed amongst small investors, had shrunk in value enormously, and the commerce and industries of all New England were seriously affected and under severe strain.

In this condition of affairs, whilst intent upon enforcing the law, it was obviously the duty of the Department of Justice to move toward that end along the course which promised the least possible further distress to the stricken investors and unsettled industries of New England. In accordance with that policy the request of the new management of the New Haven Co. to enter into negotiations, with a view to bringing about without a protracted and necessarily unsettling contest a dissolution of the unlawful monopoly, was granted. In the meantime the department sought to avoid any action that might hinder in any way the accomplishment of that end so important to the people of New England, but the criminal aspects of the case were kept constantly in mind and care was taken to do nothing which might interfere with proper prosecutions at the appropriate time.

As a result of the negotiations, a plan of voluntary dissolution was agreed upon and incorporated in a final decree entered October 17,

1914, by the United States District Court for the Southern District of New York. Briefly stated the decree provides that—

1. The agreement between the New Haven Company and the New York Central for the joint operation of the Boston & Albany Railroad will be canceled.

2. The New Haven Company will relinquish control of the Boston & Maine Railroad.

3. The New Haven Company will dispose of its interests in trolley lines.

4. The New Haven Company will dispose of its interests in ocean steamship lines between the ports of New England and New York, Philadelphia, Baltimore, and other Atlantic seaports.

5. Whether the New Haven Company shall be permitted to retain control of its steamboat lines on Long Island Sound will be submitted to the Interstate Commerce Commission for determination pursuant to the provisions of the Panama Canal act.

The criminal aspects of the case have been presented to a grand jury in the southern district of New York, and indictments returned against 21 individuals who were officers or directors of the New Haven Railroad. It must be borne in mind, however, that the Federal Government can institute prosecutions in this case only in respect of transactions involving restraints of trade or attempts to monopolize. It has no power to institute proceedings for the punishment of those responsible for the financial irregularities brought to light, since at the time such irregularities were committed improvident or dishonest management of the financial affairs of a railroad company created by a State was not an offense against any Federal law, but only against the State law.

TELEPHONE CASES.

For a long time there had been persistent complaints made to the department by the so-called independent telephone companies that the American Telephone & Telegraph Co. and its associated companies, commonly known as the Bell System, were attempting to bring under one control the means of communication by wire throughout the entire country, not only through the expansion and extension of their own system, but by the acquisition of competing lines, in violation of the Federal antitrust laws. The American Co., indeed, had frankly admitted its purpose in this regard in its annual report for the year ending December 31, 1910, in which it is stated:

> This process of combination will continue until all telephone exchanges and lines will be merged either into one company owning and operating the whole system, or until a number of companies with territories determined by political, business, or geographical conditions, each performing all functions per-

taining to local management and operation, will be closely associated under the control of one central organization exercising all the functions of centralized general administration.

The Department investigated these complaints and found that they were not without basis. The Bell System had already so far accomplished its purpose that more than half of all the telephones in the United States were under its control, and it also had acquired through stock ownership practical control of the larger of the two principal telegraph companies of the country.

In July, 1913, a suit was instituted under the antitrust act at Portland, Oregon, against companies comprising the Bell System and others, charging them with having entered into a combination to monopolize the means of telephonic communication in and between the States of Oregon, Washington, and Idaho.

Some time after the institution of this suit the officers and directors of the Bell System indicated that they were desirous of bringing its organization and business throughout the country generally into harmony with the antitrust laws as construed by the Department of Justice, and to that end conferences were had between officers of the Department and officers of the Bell System.

In compliance with the suggestions of the Attorney General, formulated in the course of these conferences, the Bell System committed itself to the following course of action, briefly stated:

First. It agreed to dispose of its entire holdings of stock of the Western Union Telegraph Co. in such way that the control and management of the latter will be entirely independent.

Second. It agreed not to make any further acquisitions, directly or indirectly, of competing telephone systems.

Third. It agreed to connect its long-distance wires with the local exchanges of independent companies.

Of course, the interpretation of the antitrust act on which was based the action taken by the Department in respect of the Bell System does not mean that where there are two telephone systems in a city or town there never can be a consolidation into a single system. It does mean that where competition has been established in long-distance telephony between points in different States it can not be destroyed by contract or consolidation. This interpretation leaves local communities generally free to have one telephone system, if they desire, subject to the condition that in the event of a consolidation the consolidated company will make connections with all long-distance interstate lines and thereby preserve competition in interstate communication.

It should also be kept in mind that the requirement that the American Telephone & Telegraph Co. relinquish its control of the Western Union Telegraph Co. does not mean they can not continue to cooperate where their services are supplementary rather than com-

petitive. In other words, the action of the Department, while requiring these two companies to be under separate control and management, so that in so far as they perform like services the public may have the benefit of competition between them, also leaves them entirely free to cooperate for the benefit of the public in so far as their services are supplementary.

There was left to be disposed of the before-mentioned suit instituted at Portland, Oregon, against the companies comprising the Bell System for attempting to monopolize the means of telephonic communication in and between the States of Oregon, Washington, and Idaho.

After extended negotiations, the defendants agreed to meet the demands of the Government, and a decree sustaining the petition was entered on March 26, 1914.

The attempt of the Bell System to monopolize all of the means of communication by wire has thus been effectually prevented.

WHOLESALE JEWELERS' ASSOCIATION.

On January 30, 1914, a decree was entered in the United States District Court at New York City enjoining the National Wholesale Jewelers' Association and others from further carrying out a conspiracy to prevent manufacturers of jewelry from selling direct to retail dealers.

THREAD CASE.

On June 2, 1914, a decree was entered in the United States District Court for the District of New Jersey dissolving a combination between J. & P. Coats, Ltd., and affiliated corporations, and the American Thread Co. and affiliated corporations (the most important factors in the thread case); and enjoining them from engaging in certain unfair trade practices against independent manufacturers of thread. There is every reason to believe that the result will be not only to restore competition between J. & P. Coats, Ltd., and the American Thread Co., but also to permit independent manufacturers to compete freely.

LUMBER DEALERS' ASSOCIATION.

The case against the Eastern States Retail Lumber Dealers' Association—a combination of retail lumber dealers to prevent wholesalers from selling directly to consumers—was decided by the District Court for the Southern District of New York in favor of the Government. On appeal by the defendants this decree was affirmed by the Supreme Court on June 22, 1914. The three cases pending in other parts of the United States against similar associations of lumber dealers are being pushed to a conclusion. (See p. 18.)

THE BUTTER AND EGG CASES.

On April 27, 1914, a decree was entered in the United States District Court at Chicago enjoining the Elgin Board of Trade and others from continuing certain practices by which the prices of butter throughout a large area were arbitrarily fixed.

In a similar case, the Chicago Butter and Egg Board and others were charged with arbitrarily fixing and controlling the price paid for butter and eggs throughout a large section. The case was decided in favor of the Government, and a decree granting the relief sought was entered by the United States District Court at Chicago on October 12, 1914.

ELECTRICAL WORKERS' UNIONS.

On February 24, 1913, the members of the International Brotherhood of Electrical Workers, local unions Nos. 9 and 134, were temporarily enjoined by the United States District Court at Chicago from interfering with the interstate business of the Postal Telegraph Co. This temporary injunction was made permanent by a final decree entered on February 27, 1914.

ALASKA TRANSPORTATION CASES.

There were two indictments, one against the North Pacific Wharves & Trading Co. and others, charging a conspiracy to monopolize the wharf facilities at Skagway; the other against the Pacific & Arctic Railway & Navigation Co. and others, charging a conspiracy to monopolize steamship transportation between Puget Sound and certain Alaskan ports. In February, 1914, the corporations entered pleas of guilty, and fines aggregating $28,000 were imposed.

RENDERING CASES.

In the criminal cases pending in the district of Massachusetts against the Consolidated Rendering Co. et al., for a monopolization of interstate trade and commerce in rendering materials, the corporations entered pleas of nolo contendere in December, 1913, and fines aggregating $8,000 were imposed.

COTTON-CORNER CASE.

In the case against Thompson and others, charged with conspiring to run a corner in cotton on the New York Cotton Exchange, pleas of nolo contendere were entered in December, 1913, and fines aggregating $18,000 were imposed.

MINE WORKERS.

The indictment against White and other officers and members of the United Mine Workers of America, charging a conspiracy to interfere with interstate commerce in coal mined in West Virginia, was nolle prossed on June 20, 1914. It was instituted by a district attorney without authority and was without foundation.

NAVAL-STORES CASE.

In the case against the American Naval Stores Co. and others there was a conviction in the lower court, and fines aggregating $17,500 were imposed and two of the defendants were sentenced to jail for three months each. On a writ of certiorari the Supreme Court reversed the judgment of the trial court on account of error in the judge's charge to the jury. This case was retried in June, 1914, and resulted in a verdict of not guilty.

CLOTHES-WRINGER CASE.

The American Wringer Co. and others were indicted for entering into a combination to fix the price of clothes wringers. The corporations and the two principal individual defendants entered pleas of nolo contendere on November 13, 1914, and fines aggregating $6,000 were imposed.

PENDING CASES INSTITUTED PRIOR TO JULY 1, 1913.

United States v. *United States Steel Corporation et al.*—This case was argued before the circuit judges, under the provisions of the expediting act, during October, 1914, and the decision of the court is awaited.

United States v. *International Harvester Co. et al.*—This case was argued in November, 1913, and on August 12, 1914, was decided in favor of the Government. A decree was entered ordering the combination and monopoly to be dissolved. Adopting the principle steadfastly insisted upon by this administration, the court directed that the parts into which the combination may be dissolved shall be separately owned and controlled and not be left in the control of one and the same set of stockholders. The defendants have appealed to the Supreme Court.

United States v. *Terminal Railroad Association of St. Louis et al.*—On April 22, 1912, the Supreme Court handed down an opinion favorable to the Government and remanded this case to the lower court with directions to enter a decree in conformity with its opinion. The circuit judges entered a final decree on March 2, 1914. Believing that this decree did not carry out the mandate and opinion

of the Supreme Court, the Government appealed. The case was argued in October, 1914, and the decision of the Supreme Court is awaited.

United States v. *Great Lakes Towing Co. et al.*—On February 11, 1913, the suit against the Great Lakes Towing Co. et al. for monopolizing towing facilities at most of the important lake ports was decided by the district court in favor of the Government. How to dissolve the combination is now under consideration by the court.

United States v. *American Sugar Refining Co. et al.*—The taking of testimony has been completed and the case is being prepared for trial.

United States v. *Hamburg-Amerikanische Packetfahrt Actien Gesellschaft et al.* (Trans-Atlantic Steamship Pool).—This case was argued during April, 1914, and a decision unfavorable to the Government was handed down on October 12, 1914. An appeal will be taken to the Supreme Court.

United States v. *Prince Line (Ltd.) et al.* (steamship lines to ports in Brazil).—The taking of testimony has been completed, and the case is being prepared for trial.

United States v. *American-Asiatic Steamship Co. et al.* (steamship lines to ports in the Far East).—The taking of testimony has been completed, and the case is being prepared for trial.

United States v. *Hollis et al.*, *United States* v. *Hartwick et al.*, and *United States* v. *The Colorado & Wyoming Lumber Dealers' Association et al.* (lumber cases).—The taking of testimony in the Hollis case has been completed, and the case is being prepared for trial during December, 1914. The other two cases are at issue, and stipulations have been entered into under which certain portions of the testimony introduced in the Hollis case may also be used therein.

United States v. *Lake Shore & Michigan Southern R. R. Co. et al.* (soft-coal case).—The civil suit against the combination of so-called soft-coal carrying roads in Ohio and West Virginia was decided by the district court in favor of the Government in December, 1912. A supplemental decision as to the relief to be granted was rendered November 10, 1913. A final decree awarding in the main the relief asked by the Government was entered on March 14, 1914.

United States v. *United Shoe Machinery Co. et al.*—The trial of this case was completed in June, 1914, and the decision of the court is awaited. The trial of the indictment against substantially the same defendants has been deferred until the civil case has been decided.

United States v. *National Cash Register Co. et al.*—After a long trial, the criminal case resulted in a verdict as to 29 of the 30 defendants, and fines aggregating $135,000 and jail sentences ranging from nine months to one year were imposed. The defendants hav-

ing appealed, the case was argued before the Circuit Court of Appeals during the October term, 1914, and a decision is awaited. The civil case against substantially the same defendants is at issue, but no further proceedings have been had pending the disposition of the appeal in the criminal case.

United States v. *The Keystone Watch Case Company et al.*—This case was argued in June, 1914, and the decision of the court is awaited.

United States v. *Isaac Whiting et al.* (Milk cases).—Demurrer sustained as to counts charging conspiracy and monopoly. Demurrer overruled as to count charging a combination in restraint of trade and pleas of not guilty were entered on May 4, 1914.

United States v. *William G. Geer et al.* (Paper Board case).—Demurrer overruled May 9, 1913, and the case is being prepared for early trial.

United States v. *Associated Billposters and Distributors et al.*—Pending on demurrer. The defendants have indicated a purpose to consent to a decree awarding the relief sought by the Government, and the form of decree to be entered is under consideration.

United States v. *Motion Picture Patents Co. et al.*—The taking of testimony was completed in April, 1914. The case was argued in November, 1914.

United States v. *The Master Horseshoers' National Protective Association of America et al.*—The case was not contested by some of the defendants, and decrees have been entered as to them. Demurrers of the remaining defendants were overruled, and they have indicated a willingness to consent to the entry of a decree without further litigation, and the form of decree to be entered is now under consideration

United States v. *Charles S. Mellen et al.*—The criminal case instituted in December, 1912, charging the defendants with conspiring to prevent the construction by or in the interest of the Grand Trunk Railway Co. of certain lines of railroad in New England, thereby forestalling threatened competition with the New Haven system, is awaiting trial.

United States v. *Kellogg Toasted Corn Flake Co. et al.*—Defendants' motion to dismiss the petition on grounds involving the merits of the case was argued in July, 1914, and a decision by the court is awaited.

United States v. *United Shoe Machinery Company of New Jersey et al.*—The prosecution of this case has been deferred pending the disposition of the civil case in the district of Massachusetts against practically the same defendants.

United States v. *Board of Trade of the City of Chicago et al.*—The motion of the Government to strike out a portion of the defendants'

answer was granted by the court on July 17, 1914, and the case will be pushed to a conclusion.

United States v. *The Cleveland Stone Company et al.*—This case is being prepared for trial.

United States v. *The D. L. & W. R. R. Co. and The D. L. & W. Coal Co.*—This case was tried in February, 1914, and on April 7, 1914, the court handed down a decision adverse to the Government. An appeal has been taken to the Supreme Court and the case is now being prepared for argument.

United States v. *The McCaskey Register Company et al.*—A reinvestigation of the facts upon which this case was based has recently been concluded, and the further action to be taken is now under consideration.

United States v. *Corn Products Refining Company et al.*—The taking of testimony in chief on behalf of the Government is in progress.

United States v. *Terminal Railroad Association of St. Louis et al.*—Action in this case has been deferred awaiting the result of the case against the same association now pending on appeal in the Supreme Court.

United States v. *Eastman Kodak Co. et al.*—The introduction of testimony in chief on behalf of the Government has been completed, and the defendants have begun their case.

United States v. *The Quaker Oats Co. et al.*—The testimony in chief on behalf of the Government has been introduced, and the taking of testimony on behalf of the defendants is now in progress.

Cases Instituted Since July 1, 1913.

United States v. *Thompson et al.*, Southern District of New York.—Indictment returned July 1, 1913, alleging that the defendants conspired to run a corner in cotton on the New York Cotton Exchange. Defendants entered pleas of nolo contendere in December, 1913, and fines aggregating $18,000 were imposed.

United States v. *American Telephone & Telegraph Company et al.*, district of Oregon.—Petition filed July 24, 1913, charging a combination between companies of the Bell System and others to monopolize the means of telephonic communication in and between the States of Oregon, Washington, and Idaho. After the introduction of part of the testimony in chief on behalf of the Government, the defendants agreed to meet the demands of the Government, and a decree sustaining the petition was entered on March 26, 1914. (See p. 13.)

United States v. *Reading Company et al.*, eastern district of Pennsylvania (anthracite coal combination).—Petition filed September 2, 1913, against a combination consisting of Reading Company and

affiliated corporations, charging it with restraining and monopolizing trade in anthracite coal. This case was argued before the circuit judges, under the provisions of the expediting act, in June, 1914, and the decision of the court is awaited.

United States v. *The National Wholesale Jewelers' Association et al.*, southern district of New York.—Petition filed November 18, 1913, charging defendants, who were wholesalers and jobbers, with conspiring to prevent manufacturers of jewelry and jewelry products from selling directly to retailers. The case was not contested by the defendants, and a decree granting the relief sought was entered on January 30, 1914.

United States v. *American Can Company et al.*, district of Maryland.—Petition filed November 29, 1913, alleging monopolization of the business of making tin cans. The introduction of testimony in chief on behalf of the Government has been concluded.

United States v. *John P. White et al.*, district of Colorado.—Indictment returned December 1, 1913, alleging a monopoly of mine labor.

United States v. *Frank J. Hayes et al.*, district of Colorado.—Indictment returned December 1, 1913, charging a combination and conspiracy by mine workers to interfere with the mining of coal in Colorado and its transportation to and sale in other States.

United States v. *Southern Pacific Company, Central Pacific Railway Company et al.*, district of Utah.—Petition filed February 11, 1914, seeking to compel the Southern Pacific to relinquish its control of the Central Pacific on the ground that they are naturally competing lines. The taking of testimony in chief on behalf of the Government has been completed.

United States v. *Lehigh Valley Railroad Company et al.*, southern district of New York.—Petition filed March 18, 1914, charging the defendants with having monopolized the production, transportation, and sale of anthracite coal from mines tributary to Lehigh Valley Railroad Co. in violation of the antitrust act; and charging the railroad company with transporting in interstate commerce coal in which it has an interest, in violation of the commodity clause of the act to regulate commerce. The trial has been completed, and a decision is awaited.

United States v. *Knauer et al.*, southern district of Iowa.—Indictment returned June 4, 1914, charging defendants with conspiring to restrain trade in plumbing supplies. Case has been set for trial on December 8, 1914.

United States v. *The American Wringer Co. et al.*, western district of Pennsylvania.—Indictment returned May 22, 1914, charging defendants with entering into a combination to fix the price of clothes wringers.

United States v. *Booth Fisheries Co. et al.*, eastern district of Washington.—Indictment returned July 20, 1914, charging defendants with maintaining a combination to fix the price of fish in certain sections.

United States v. *The New York, New Haven & Hartford Railroad Co. et al.*, southern district of New York.—Petition filed July 23, 1914, charging defendants with monopolizing transportation facilities in New England. Final decree entered October 17, 1914. (See page 12.)

United States v. *Western Cantaloupe Exchange et al.*, northern district of Illinois.—Indictment returned August 7, 1914, charging defendants with combining to restrain and monopolize interstate trade in cantaloupes.

United States v. *Collins et al.*, District of Columbia.—Indictment returned September 4, 1914, against 31 commission merchants, charging them with engaging in a combination to fix arbitrarily and without competition the prices at which country produce is bought and sold in the District of Columbia.

United States v. *McCoach et al.*, western district of Pennsylvania.—Indictment returned October 5, 1914, against 33 individuals, each a master plumber and retail dealer in plumbing supplies, charging them with entering into a combination to secure a monopoly of the business of selling and installing plumbing supplies.

United States v. *Irving et al.*, district of Utah.—Indictment returned October 31, 1914, against 14 individuals, each a master plumber and retail dealer in plumbing supplies, charging them with entering into a combination to restrain trade in plumbing supplies.

United States v. *Rockefeller et al.*, southern district of New York.—Indictment returned November 2, 1914, against 21 individuals, each at some time a director or officer, or both, of the New York, New Haven & Hartford Railroad Co., charging them with conspiring to monopolize the transportation facilities of New England.

CASES UNDER THE ACT TO REGULATE COMMERCE.

1. UNDER THE COMMODITIES CLAUSE.

The purpose of the commodities clause is to protect shippers from the unlawful discriminations and disadvantages inherent in the ownership by railroads of the property transported by them and to prevent railroads from monopolizing by means of such discriminations the production and sale of articles transported over their lines.

The statute as construed by the Supreme Court in *United States* v. *Delaware & Hudson Company*, 213 U. S., 366, and *United States* v. *Lehigh Valley Railroad Co.*, 220 U. S., 257, is not violated unless the railroad has an interest in the articles at the time of transportation. It is not enough that the railroad produced or manufactured the

articles, provided it parted with the title before transporting them. Certain railroad companies have sought to bring themselves into conformity with this construction of the statute by the following plan, which the Government contends is a mere subterfuge:

A railroad company engaged, say, in mining coal, either directly or through a controlled corporation which is but a part of itself, will organize a new corporation, the stock of which will be distributed ratably amongst the stockholders of the railroad, whereupon the railroad will sell to the new corporation at the mouth of the mines the coal produced by it.

This plan was attacked in the case instituted in the district of New Jersey in February, 1913, against the Delaware, Lackawanna & Western Railroad Co. and the Delaware, Lackawanna & Western Coal Co. under the commodities clause and the antitrust act. The Government contended that a corporation is but an association of persons, and that under the plan in question the same association of persons which mined the coal transported it. The case was decided against the Government by the district court on April 7, 1914. An appeal has been taken to the Supreme Court, and the case has been set for hearing on the first Monday in December.

In the cases against the Reading company and the Lehigh Valley company under the Federal antitrust law the defendants are also charged with transporting anthracite coal in which they have an interest. The case against the Reading company was argued in June, 1914, and the case against the Lehigh Valley company was argued in November, 1914. Decisions are awaited.

On July 13, 1914, an indictment was returned at Buffalo, N. Y., charging the Pennsylvania Railroad Co. with transporting in interstate commerce anthracite coal mined by the Susquehanna Coal Co., with which it is united in ownership and management. The case is awaiting trial.

2. REBATES AND UNLAWFUL DISCRIMINATIONS.

Since the last report 58 cases have been instituted and 80 concluded under the provisions of the act to regulate commerce and the so-called Elkins Act prohibiting the giving or receiving of rebates and discriminations. The following is a summary of such cases:

(A) CASES INSTITUTED.

United States *v.* Sidney J. Adler (district court, southern New York). January 27, 1914, indictment charging attempted false billing. (2 counts.)

United States *v.* Alabama Great Southern Railway Co. (district court, northern Alabama). March 14, 1914, indictment charging the granting of concessions. (10 counts.)

United States *v.* Alabama Great Southern Railway Co. (district court, northern Alabama). March 14, 1914, indictment charging failure strictly to observe tariff rates.

United States *v.* Ann Arbor Railroad Co. (district court, western Michigan). March 12, 1914, indictment charging granting of concessions to the Saginaw Beef Co. (10 counts.)

United States *v.* Morris Biederman (district court, eastern Missouri). April 10, 1914, indictment for presenting false claims. (5 counts.)

United States *v.* L. D. Block & Co. (district court, southern New York). January 27, 1914, indictment charging attempted false billing. (2 counts.)

United States *v.* Leonard J. Botting and Simon Lewis, trading as Chas. Broadway Rouse (district court, southern New York). December 19, 1913, indictment charging attempted false billing. (2 counts.)

United States *v.* W. C. Brown, John Carstensen, R. M. Huddleston, Lake Shore & Michigan Southern Railway Co., Big Four Railway Co., Chicago, Indiana & Southern Railway Co., Thos. J. O'Gara, Wm. A. Brewerton, and O'Gara Coal Co. (district court, northern Illinois). July 31, 1914, indictment charging conspiracy to violate Elkins Act. (2 counts.)

United States *v.* Roy A. Campbell (district court, southern Texas). October 12, 1914, indictment charging the accepting and receiving a concession. (10 counts.)

United States *v.* Chicago & North Western Railway Co. (district court, northern Illinois). January 31, 1914, indictment charging the granting of rebates to David Rutter & Co. (6 counts.)

United States *v.* Orton Collins (district court, eastern Wisconsin). April 16, 1914, indictment for presentation of false claims in connection with shipments made by Wisconsin Auto Sales Co. (1 count.)

United States *v.* C. Connor and Geo. Nordenholt (district court, southern New York). March 7, 1914, indictment charging false billing.

United States *v.* Louis Camesa, trading as Camesa Bros. (district court, southern New York). December 12, 1913, indictment charging false billing. (2 counts.)

United States *v.* Austin Corbin, 2d (district court, southern New York). January 13, 1914, indictment for accepting concessions from Spokane International Railway Co. (17 counts.)

United States *v.* Davidson Bros. Co. (district court, eastern Missouri). April 10, 1914, indictment for presenting false claims. (5 counts.)

United States *v.* Delaware, Lackawanna & Western Coal Co. (district court, western New York). July 13, 1914, indictment charging the receiving of concessions from the Delaware, Lackawanna & Western Railroad Co. in the nature of rental of trestles at nominal rental. (5 counts.)

United States *v.* Delaware, Lackawanna & Western Railroad Co. (district court, western New York). July 13, 1914, indictment charging the granting of concessions to the Delaware, Lackawanna & Western Coal Co. by leasing of valuable trestle property at nominal rental. (5 counts.)

United States *v.* Eagle Fur Cap Co. (district court, southern New York). February 10, 1914, indictment charging attempted false billing.

United States *v.* D. L. Flory (district court, eastern Virginia). April 7, 1914, indictment charging false billing.

United States *v.* Joseph Fybush, trading as Fybush & Co. (district court, southern New York). December 1, 1913, indictment charging false billing. (2 counts.)

United States *v.* Gamble-Robinson Commission Co. (district court, Minnesota). October 8, 1914, indictment for presenting false claims to Chicago, St. Paul, Minneapolis & Omaha Railway Co. (5 counts.)

United States *v.* Albert Hockheimer & Co. (district court, southern New York). January 20, 1914, indictment charging attempted false billing. (2 counts.)

United States *v.* Illinois Central Railroad Co. (district court, eastern Illinois). July 17, 1914, indictment for granting switching service at New Orleans on import shipment of bananas without tariff authority.

United States *v.* Lake Shore & Michigan Southern Railway Co., Big Four Railway Co., Chicago, Indiana & Southern Railway Co., W. C. Brown, John Carstensen, and R. M. Huddleston (district court, northern Illinois). July 31, 1914, indictment charging the granting of concessions to O'Gara Coal Co. (199 counts.)

United States *v.* Lehigh & Hudson River Railway Co., and Morris Rutherford, vice president (district court, New Jersey). February 10, 1914, indictment charging acceptance of concessions on fuel coal. (10 counts.)

United States *v.* Martin Fertilizer Co. (district court, eastern Virginia). April 7, 1914, indictment charging false billing. (12 counts.)

United States *v.* Robert B. Louden, jr. (district court, southern Iowa). October 27, 1914, indictment for false billing. (7 counts.)

United States *v.* John D. Morrissey (district court, eastern Washington). May 21, 1914, indictment charging violation of Elkins Act. (1 count.)

United States *v.* Mark P. Miller Milling Co., and Mark P. Miller, president (district court, Idaho). May 19, 1914, indictment charging false billing. (4 counts.)

United States *v.* John Mirenberg (district court, southern New York). December 30, 1913, indictment charging false billing. (2 counts.)

United States *v.* New Orleans & Northeastern Railroad Co. (district court, eastern Louisiana). July 18, 1914, indictment charging failure to observe switching tariffs at New Orleans. (10 counts.)

United States *v.* Northern Central Railway Co. (district court, western New York). July 13, 1914, indictment charging the granting of concessions to the Mineral Railroad & Mining Co., by failure to collect royalties. (50 counts.)

United States *v.* Opalescent Bent Glass Co. (district court, southern New York). December 19, 1913, indictment charging false billing. (2 counts.)

United States *v.* O'Gara Coal Co., Thomas J. O'Gara and William A. Brewerton (district court, northern Illinois). July 31, 1914, indictment charging the receiving of concessions from the Lake Shore & Michigan Southern Railway Co., Big Four Railway Co., and Chicago, Indiana & Southern Railway Co. (100 counts.)

United States *v.* Potlatch Lumber Co., and Joseph J. Cunningham (district court, eastern Washington). May 21, 1914, indictment charging false billing. (10 counts.)

United States *v.* Potlatch Lumber Co., and Joseph J. Lohrenz (district court, eastern Washington). May 21, 1914, indictment charging false billing. (5 counts.)

United States *v.* Pennsylvania Railroad Co. (district court, western New York). July 13, 1914, indictment charging violation of the commodities clause of the act by carrying coal for Susquehanna Coal Co., the carrier owning the coal company and its product. (25 counts.)

United States *v.* Pittsburgh, Cincinnati, Chicago & St. Louis Railway Co. (district court, northern Illinois). January 31, 1914, indictment charging the granting of rebates to B. A. Eckhart Milling Co. (12 counts.)

United States *v.* Pittsburgh, Cincinnati, Chicago & St. Louis Railway Co. (district court, northern Illinois). January 31, 1914, indictment for granting rebates to W. H. Merritt & Co. (5 counts.)

United States *v.* Pennsylvania Co. (district court, northern Illinois). January 31, 1914, indictment charging the granting of rebates to W. H. Merritt & Co. (5 counts.)

United States *v.* Frank Rogers and John Ridzewski (district court, western Michigan). February 28, 1914, indictment charging violation of the act by obtaining and using pass. (1 count.)

United States *v.* Southern Texas Truck Growers' Association and Roy A. Campbell (district court, southern Texas). October 12, 1914, indictment for securing concessions. (30 counts.)

United States *v.* Spokane International Railway Co., and Geo. H. Martin, general agent (district court, eastern Washington). January 13, 1914, indictment charging granting concessions to Austin Corbin 2d. (17 counts.)

United States *v.* Louis Seligman, trading as American Bud Co. (district court, southern New York). December 12, 1913, indictment charging false billing. (2 counts.)

United States *v.* Solar Light Co. (district court, southern New York). January 27, 1914, indictment charging false billing. (2 counts.)

United States *v.* Stock Yards Cotton & Linseed Oil Co., and H. G. Cherry, manager (district court, Kansas). October 5, 1914, indictment charging the soliciting of information from carriers' agents concerning shipments of competitors.

United States *v.* Southern Pacific Co. (district court, southern California). May 25, 1914, indictment charging the granting of a concession to the Redlands Golden Orange Association by rental of a warehouse at a nominal sum.

United States *v.* South Dakota Central Railway Co. (district court, South Dakota). April 10, 1914, indictment for accepting concessions on fuel coal. (10 counts.)

United States *v.* South Dakota Central Railway Co. (district court, South Dakota). April 10, 1914, indictment for failure to strictly observe demurrage tariffs. (10 counts.)

United States *v.* Peter Solow and Stanley Ridzewski (district court, western Michigan). February 16, 1914, indictment charging violation of antipass section of the act. (1 count.)

United States *v.* Star Manufacturing Co. (district court, southern New York). January 16, 1914, indictment charging false billing. (2 counts.)

United States *v.* Swift & Co. (district court, northern Illinois). January 31, 1914, indictment for receiving concessions from the Ann Arbor Railroad Co. (60 counts.)

United States *v.* Saginaw Beef Co. (district court, western Michigan). March 12, 1914, indictment for receiving concessions from the Ann Arbor Railroad Co. (10 counts.)

United States *v.* Tower Manufacturing & Novelty Co. (district court, southern New York). December 5, 1913, indictment charging false billing. (2 counts.)

United States *v.* Herbert Taggessell (district court, Oregon). August 22, 1914, indictment for procuring interstate pass for persons not lawfully entitled thereto. (1 count.)

United States *v.* Washington, Idaho & Montana Railway Co., and Jno. D. Morrissey, superintendent (district court, eastern Washington). May 21, 1914, indictment for granting free transportation of property. (3 counts.)

United States *v.* The Will & Baumer Co. (district court, southern New York). January 15, 1914, indictment charging false billing. (2 counts.)

United States *v.* Wisconsin Auto Sales Co. (district court, eastern Wisconsin). April 16, 1914, indictment charging the presentation of false claims. (1 count.)

(B) CASES CONCLUDED.

United States *v.* Adams Express Co. (district court, western New York). Indictment for granting rebates under guise of allowance to cover drayage performed by shipper. January 10, 1914, plea of nolo contendere and fine of $500 imposed.

United States *v.* American Express Co. (district court, western New York). Indictment for collecting more than published rates. January 10, 1914, plea of nolo contendere and fine of $500 imposed.

United States *v.* Sidney J. Adler (district court, southern New York). Indictment charging attempted false billing. January 27, 1914, plea of guilty entered and fine of $250 imposed.

United States *v.* Adams Express Co. (district court, southern Ohio). Indictment for collecting more than published rate. January 17, 1914, plea of nolo contendere and fine of $1,000 imposed.

United States *v.* Ann Arbor Railroad Co. (district court, western Michigan). Indictment for granting concessions to Saginaw Beef Co. April 28, 1914, plea of guilty entered and fine of $8,000 imposed.

United States *v.* Alabama Great Southern Railway Co. (district court, northern Alabama). Indictment for granting concessions. May 16, 1914, plea of guilty entered and fine of $5,000 imposed.

United States *v.* Alabama Great Southern Railway Co. (district court, northern Alabama). Indictment for failure strictly to observe tariff rates. May 16, 1914, nolle prosequi entered.

United States *v.* L. D. Block & Co. (district court, southern New York). Indictment for attempted false billing. January 27, 1914, plea of guilty entered and fine of $100 imposed.

United States *v.* Leonard J. Botting and Simon Lewie, trading as Chas. Broadway Rouse (district court, southern New York). Indictment for false billing. December 19, 1913, plea of guilty entered and fine of $300 imposed.

United States *v.* Louis Camesa, trading as Camesa Bros. (district court, southern New York). Indictment for false billing. December 12, 1913, plea of guilty entered and fine of $200 imposed.

United States *v.* C. Conner and George Nordenholt (district court, southern New York). Indictment for false billing. March 7, 1914, plea of guilty entered by Nordenholt and fine of $1,000 imposed. Connor not yet located.

United States *v.* Columbia Amusement Co., R. K. Hynicka, secretary, and Cleveland, Cincinnati, Chicago & St. Louis Railway Co. (district court, northern Illinois). Indictment for conspiracy to violate act to regulate commerce. March 18, 1914, plea of nolo contendere by Columbia Amusement Co. and Hynicka and fine of $7,500 imposed. (Case against carrier previously disposed of.)

United States *v.* S. B. Cox (district court, eastern Texas). Indictment for making false entries in records of St. Louis Southwestern Railway Co. March 18, 1914, plea of guilty entered and fine of $2,000 imposed.

United States *v.* Cleveland, Cincinnati, Chicago & St. Louis Railway Co., and Chicago, Indiana & Southern Railway Co. (district court, eastern Illinois). Indictment for granting concessions to O'Gara Coal Co. May 14, 1914, pleas of guilty entered and fines of $3,000 against the Cleveland, Cincinnati, Chicago & St. Louis Railway Co., and $6,000 against Chicago, Indiana & Southern Railway Co., imposed; total, $9,000.

United States *v.* Cleveland, Cincinnati, Chicago & St. Louis Railway Co. (district court, eastern Illinois). Indictment under the Elkins Act for granting discrimination. May 14, 1914, plea of guilty entered and fine of $3,000 imposed.

United States *v.* Cleveland, Cincinnati, Chicago & St. Louis Railway Co., and Grand Trunk Railway Co. of Canada (district court, eastern Illinois). Indictment for conspiracy to grant concessions. May 19, 1914, plea of guilty entered on behalf of O'Gara Coal Co. and fine of $2,000 imposed.

United States *v.* Cleveland, Cincinnati, Chicago & St. Louis Railway Co., Chicago, Indiana & Southern Railway Co., O'Gara Coal Co., and Grand Trunk Railway Co. (district court, eastern Illinois). Indictment for conspiracy to grant concessions to O'Gara Coal Co. May 14, 1914, plea of guilty on behalf of Cleveland, Cincinnati, Chicago & St. Louis Railway Co., and Chicago, Indiana & Southern Railway Co., and fine of $1,500 each imposed; total, $3,000.

United States *v.* Austin Corbin, 2d (district court, eastern Washington). Indictment for accepting concessions from Spokane International Railway Co. May 23, 1914, plea of guilty and fine of $5,000 imposed.

United States *v.* Delaware, Lackawanna & Western Railroad Co. (district court, western New York). Indictment for violation of commodities clause of the act. March 18, 1912, verdict of guilty and fine of $2,000 imposed. Affirmed by Supreme Court of the United States.

United States *v.* Delaware & Hudson Co. (district court, northern New York). Indictment for violation of commodities clause of the act. February 12, 1914, pleas of nolo contendere and fine of $1,500 imposed.

United States *v.* A. L. Dennis Salt & Lumber Co. (district court, western Michigan). Indictment for accepting rebates in connection with transit shipments of lumber. June 29, 1914, plea of guilty entered and fine of $1,000 imposed.

United States *v.* A. L. Dennis Salt & Lumber Co. (district court, western Michigan). Indictment for false billing in connection with transit shipments of lumber. June 29, 1914, nolle prosequi entered.

United States *v.* Dennis Lumber Co. (district court, western Michigan). Indictment for accepting rebates in connection with transit shipments of lumber. June 29, 1914, plea of guilty entered and fine of $2,000 imposed.

United States *v.* Dennis Lumber Co. (district court, western Michigan). Indictment for false billing in connection with transit shipments of lumber. June 29, 1914, nolle prosequi entered.

United States *v.* Eagle Fur Cap Co. (district court, southern New York). Indictment for attempted false billing. February 11, 1914, plea of guilty entered and fine of $150 imposed.

United States *v.* Erie Railroad Co. and W. S. Cowie, general eastern freight agent (district court, New Jersey). Indictment for granting concessions to Marden, Orth & Hastings. April 2, 1914, verdict of guilty as to Erie Railroad and acquittal as to Cowie.

United States *v.* G. H. Evans (district court, eastern Tennessee). Indictment for violation of section 10 of the act in connection with substitution of shipments of lumber in transit. May 18, 1914, plea of guilty entered and fine of $500 imposed.

United States *v.* Joseph Fybush, trading as Fybush & Co. (district court, southern New York). Indictment for false billing. December 1, 1913, plea of guilty entered and fine of $400 imposed.

United States *v.* D. L. Flory (district court, eastern Virginia). Indictment for false billing. June, 1914, plea of nolo contendere and fine of $100 imposed.

United States *v.* Grand Trunk Western Railway Co. (district court, southern Ohio). Indictment for obtaining concessions on fuel coal. December 13, 1913, plea of nolo contendere and fine of $5 imposed.

United States *v.* Grand Trunk Railway Co. of Canada; Cleveland, Cincinnati, Chicago & St. Louis Railway Co.; and Chicago, Indiana & Southern Railway Co. (district court, eastern Illinois). Indictment for conspiracy to grant and

give concessions out of published rate to O'Gara Coal Co. March 17, 1914, plea of nolo contendere and fine of $2,500 imposed against Grand Trunk Railway Co. of Canada.

United States *v.* Grand Trunk Railway Co. and O'Gara Coal Co. (district court, eastern Illinois). Indictment for accepting and receiving concessions from the Cleveland, Cincinnati, Chicago & St. Louis Railway Co. and Chicago, Indiana & Southern Railway Co. March 17, 1914, Grand Trunk Railway Co. plea of nolo contendere and fine of $2,500 imposed.

United States *v.* Albert Hockheimer & Co. (district court, southern New York). Indictment for attempted false billing. January 20, 1914, plea of guilty entered and fine of $250 imposed.

United States *v.* Hocking Valley Railway Co. (district court, northern Ohio). Indictment for discrimination in favor of Sunday Creek Coal Co. by unlawful extension of credit. June 11, 1912, plea of nolo contendere and fine of $42,000 imposed. February 3, 1914, decision affirmed by circuit court of appeals

United States *v.* Keystone Elevator & Warehouse Co. and John F. McLaughlin (district court, eastern Pennsylvania). Indictment for violation of section 10 of act in permitting L. F. Miller & Sons to make false report of weights. September, 1914, nolle prosequi entered.

United States *v.* Lehigh & Hudson River Railway Co. and Morris Rutherford, vice president (district court, New Jersey). Indictment for receiving concessions on fuel coal. May 9, 1914, plea of guilty and fine of $10,000 imposed against corporation. Against Rutherford, nolle prosequi entered.

United States *v.* Lehigh Valley Railroad Co. (district court, western New York). Indictment for granting concessions to Yates-Lehigh Coal Co. in connection with lease of certain land for coal yard. Verdict of acquittal.

United States *v.* Lumber Products Co. (district court, eastern Tennessee). Indictment for violation of section 10 of the act in connection with transit shipments. May 18, 1914, plea of guilty entered and fine of $500 imposed.

United States *v.* John Mirenberg (district court, southern New York). Indictment for false billing. December 30, 1913, plea of guilty and fine of $100 imposed.

United States *v.* Martin Fertilizer Co. (district court, eastern Virginia). Indictment for false billing. June, 1914, plea of guilty entered and fine of $1,400 imposed.

United States *v.* Frank G. Miller (district court, northern Ohio). Indictment for inducing an agent to discriminate in his favor by issuing bills of lading prior to receipt of shipment. June, 1914, plea of guilty entered and fine of $300 imposed.

United States *v.* Glen B. Miller (district court, northern Ohio). Indictment for making false entry in the records of the Erie Railroad. June, 1914 plea of guilty entered; sentence suspended.

United States *v.* Harvie C. Miller, J. Elsie Miller, Morris F. Miller, Thos. M Sloan, and John F. McLaughlin (district court, eastern Pennsylvania). Indictment for conspiracy. September, 1914, nolle prosequi entered.

United States *v.* Harvie C. Miller, J. Elsie Miller, Morris F. Miller, and Thos. M. Sloan (district court, eastern Pennsylvania). Indictment for accepting rebates. September, 1914, nolle prosequi entered.

United States *v.* John D. Morrissey (district court, eastern Washington). Indictment for violation of Elkins Act. Nolle prosequi entered.

United States *v.* O'Gara Coal Co. (district court, eastern Illinois). Indictment for accepting and receiving concessions from Cleveland, Cincinnati, Chicago & St. Louis Railway Co. and Chicago, Indiana & Southern Railway Co. May 19, 1914, plea of guilty on behalf of O'Gara Coal Co. and fine of $3,000 imposed.

United States *v.* Opalescent Bent Glass Co. (district court, southern New York). Indictment for false billing. December 19, 1913, plea of guilty entered and fine of $350 imposed.

United States *v.* Pennsylvania Railroad Co., Harvie C. Miller, and John F. McLaughlin (district court, eastern Pennsylvania). Indictment for failure to observe elevation and storage charges. September 15, 1914, pleas of guilty entered and fines of $4,000 against each defendant imposed. Total $12,000.

United States *v.* Pennsylvania Railroad Co., Harvie C. Miller, and John F. McLaughlin (district court, eastern Pennsylvania). Indictment for granting rebates. September 15, 1914, nolle prosequi entered.

United States *v.* Pennsylvania Railroad Co. (district court, eastern Pennsylvania). Indictment for failure to observe demurrage tariffs. September 15, 1914, nolle prosequi entered.

United States *v.* Potlatch Lumber Co. and Joseph B. Cunningham (district court, eastern Washington). Indictment for false billing. October 1, 1914, plea of guilty entered by lumber company and fine of $2,000 imposed. Indictment against Cunningham still pending.

United States *v.* Potlatch Lumber Co. and Joseph J. Lohrenz (district court, eastern Washington). Indictment for false billing. October 1, 1914, plea of guilty entered by lumber company and fine of $1,000 imposed. Indictment against Lohrenz still pending.

United States *v.* Harvey J. Rhein, James E. Fennessey, the Henck Opera House Co., the Empire Circuit Co., and the Cleveland, Cincinnati, Chicago & St. Louis Railway Co. (district court, northern Illinois). Indictment for conspiracy to violate passenger tariffs. March, 1914, plea of guilty by Fennessey and fine of $3,500 imposed. Case against carriers previously disposed of.

United States *v.* Frank Rodgers and John Ridzewski (district court, western Michigan). Indictment for violation of pass provisions of the act. March 3, 1914, plea of guilty entered and fine of $25 each imposed; total, $50.

United States *v.* Roberts & Hamner (district court, western Tennessee). Indictment for receiving concessions in connection with transit shipments of grain. May 30, 1914, plea of guilty and fine of $180 imposed.

United States *v.* Louis Seligman, trading as American Bud Co. (district court, southern New York). Indictment for false billing. December 12, 1913, plea of guilty entered and fine of $300 imposed.

United States *v.* Solar Light Co. (district court, southern New York). Indictment for attempted false billing. January 27, 1914, plea of guilty entered and fine of $25 imposed.

United States *v.* Star Fur Manufacturing Co. (district court, southern New York). Indictment for false billing. February 19, 1914, plea of guilty entered and fine of $200 imposed.

United States *v.* Sunday Creek Coal Co. (district court, northern Ohio). Indictment for accepting rebates from Hocking Valley Railroad Co. June 11, 1912, plea of nolo contendere and fine of $20,000 imposed. February 3, 1914, affirmed by circuit court of appeals.

United States *v.* Seaboard Air Line Railway (district court, southern Georgia). Indictment for receiving concessions in connection with shipments of fuel coal. November 24, 1913, plea of guilty entered and fine of $2,000 imposed. (This case was not reported until February 26, 1914, and not included in 1913 report.)

United States *v.* St. Louis & San Francisco Railroad Co. (district court, eastern Missouri). Indictment for charging more than lawful rate. April 3, 1914, plea of guilty entered and fine of $500 imposed.

United States *v.* Saginaw Beef Co. (district court, western Michigan). Indictment for receiving concessions from Ann Arbor Railroad Co. April 28, 1914, plea of guilty entered and fine of $8,000 imposed.

United States *v.* Peter Solow and Stanley Ridzewski and wife (district court, western Michigan). Indictment for unlawful use of interstate pass. March 3, 1914, plea of guilty and fine of $25 each against Peter Solow and Stanley Ridzewski and $1 against Mrs. Ridzewski; total, $51.

United States *v.* Spokane International Railway Co. and Geo. H. Martin, general agent (district court, eastern Washington). Indictment for granting concessions to Austin Corbin 2d. May 23, 1914, plea of guilty as to carrier was entered and fine of $5,000 was imposed. As to Martin, nolle prosequi entered.

United States *v.* Southern Pacific Co. (district court, southern California). Indictment for granting concession to shipper by means of nominal rental of storage house. September 28, 1914, plea of guilty entered and fine of $1,000 imposed.

United States *v.* South Dakota Central Railway Co. (district court, South Dakota). Indictment for failure to strictly observe demurrage tariffs. September 28, 1914, plea of guilty entered and fine of $1,000 imposed.

United States *v.* South Dakota Central Railway Co. (district court, South Dakota). Indictment for soliciting and accepting concessions on fuel coal. September 28, 1914, plea of guilty entered and fine of $1,000 imposed.

United States *v.* Tower Mfg. & Novelty Co. (district court, southern New York). Indictment for false billing. December 5, 1913, plea of guilty entered and fine of $300 imposed.

United States *v.* Herbert Taggessell (district court, Oregon). Indictment for procuring interstate pass for person not lawfully entitled thereto. September 8, 1914, plea of guilty entered and fine of $100 imposed.

United States *v.* Vandalia Railroad Co. (district court, eastern Illinois). Indictment for granting rebates to Lumaghi Coal Co. by way of loans in consideration of the routing of traffic via its line. May 20, 1914, verdict of guilty. July 6, 1914, motion for new trial overruled and fine of $2,000 imposed.

United States *v.* Valley City Lumber Co. (district court, western Michigan). Indictment for accepting rebates in connection with traffic shipments of lumber. June 29, 1914, plea of guilty entered and fine of $1,000 imposed.

United States *v.* Valley City Lumber Co. (district court, western Michigan). Indictment for false billing in connection with transit shipments of lumber. June 29, 1914, nolle prosequi entered.

United States *v.* Van Keulen & Winchester Lumber Co. (district court, western Michigan). Indictment for accepting rebates in connection with transit shipments of lumber. June 29, 1914, plea of guilty entered and fine of $1,000 imposed.

United States *v.* Van Keulen & Winchester Lumber Co. (district court, western Michigan). Indictment for false billing in connection with transit shipment of lumber. June 29, 1914, nolle prosequi entered.

United States *v.* Will & Baumer Co. (district court, southern New York). Indictment for false billing. January 16, 1914, plea of guilty entered and fine of $400 imposed.

United States *v.* Wichita Falls & Northwestern Railway Co. (district court, western Oklahoma). Indictment for granting a concession to the Kansas Bithulithic Co. February 26, 1914, plea of guilty entered and fine of $1,000 imposed.

United States *v.* Waters Pierce Oil Co. (district court, western Louisiana). Indictment for receiving concessions on shipments of oil. March 12, 1914, verdict of guilty and fine of $14,000 imposed.

United States *v.* Arron Wheeler (district court, northern Alabama). Indictment for unlawful use of pass from Birmingham to Memphis. Plea of guilty entered. Sentenced to 13 months in jail.

United States *v.* Washington, Idaho & Montana Railway Co. and John B. Morrissey, superintendent (district court, eastern Washington). Indictment for granting free transportation of property in interstate commerce. October 1, 1914, plea of guilty entered and fine of $1,000 against each defendant imposed: total, $2,000.

United States *v.* J. W. Warner and H. P. Newton, trading as Warner Newton Lumber Co. (district court, western Michigan). Indictment for accepting rebates in connection with transit shipments. October 10, 1914, H. P. Newton pleaded guilty to one count and fine of $1,000 was imposed. As to J. W. Warner, nolle prosequi entered.

CASES UNDER OTHER INTERSTATE-COMMERCE LAWS.

1. SAFETY-APPLIANCE ACTS.

During the year there were forwarded to the United States attorneys for prosecution charges of 1,020 alleged violations of these acts. In 483 violations judgment was confessed, and 42 counts were dismissed. There were decisions by the courts on 149 alleged violations, out of which number the Government was successful in 121 and unsuccessful in 28. The Government appealed 1 case, while the defendants prosecuted appeals in 15. The total amount of fines collected was $49,500. Fines pending payment at the end of the year amounted to $29,200.

2. HOURS-OF-SERVICE ACT.

There were reported to the United States attorneys for prosecution 2,871 alleged violations of the act. Judgment was confessed by the defendants in 1,785 cases, and proceedings involving 256 alleged violations were dismissed by the Government. Trials were had and decisions reached on 592 counts, and the Government was successful in 395. The Government appealed 34 cases and the railroads 38. During the year there was collected and paid into the Treasury $122,690 in fines accruing from the 2,266 violations disposed of in that time. Fines pending payment on June 30, 1914, amounted to $39,732.

3. ASH-PAN ACT.

There were only three violations of this act reported to the United States attorneys during the past year. Judgment was confessed as to three violations, and counts charging two were dismissed. The money paid into the Treasury in fines amounted to $1,000. Fines pending payment at the end of the year amounted to $600.

4. TWENTY-EIGHT-HOUR LAW.

There were transmitted during the year to the United States attorneys charges and preliminary proofs of 1,545 violations of

the law. For 345 violations penalties amounting to $43,375 were recovered.

5. FOOD AND DRUGS ACT.

Charges of 436 violations of the statute were transmitted to the United States attorneys. Of these violations 87 were presented as criminal cases and 349 as civil cases. During the past year 776 cases were terminated, 407 of which were criminal and 369 civil. There were 333 decrees of condemnation and forfeiture, under which the goods in 197 cases were ordered destroyed. At the close of the year there were pending 626 cases, 465 of which were criminal and 161 civil. During the year fines amounting to $10,016 were assessed. In addition to the foregoing, various health officers collaborating with the Department of Agriculture instituted 51 cases, 41 of which were criminal and 10 civil. These resulted in the recovery in fines of $390.

6. THE INSECTICIDE ACT.

During the year 97 violations of the act were reported, 89 of which were presented as criminal offenses and 8 as civil. Cases charging 83 violations were terminated during the year. In 65 of these fines were imposed amounting to $2,155.50. At the end of the year prosecutions involving 101 violations were pending.

7. MEAT-INSPECTION ACT.

There were 154 violations of the act reported, and there were convictions on 89 of the counts. In 6 alleged violations the verdict was for the defendant. At the end of the year 96 counts were still pending. Fines amounting to $3,097.50 were imposed by the courts.

8. ANIMAL QUARANTINE ACT.

There were reported to the United States attorneys 254 alleged violations of the act. During the year 87 prosecutions were terminated in favor of the Government and 2 adversely to the Government. For 10 alleged violations the grand jury refused to return a true bill. Fines were imposed amounting to $9,680.

9. PLANT QUARANTINE ACT.

Fifteen violations of this law were reported during the year. Suits involving all of these were pending at the end of the year.

10. VIRUS ACT.

Two alleged violations were reported to the United States attorneys, and prosecutions for both of these were pending at the close of the year.

11. MIGRATORY BIRD LAW.

Fourteen violations were reported to the United States attorneys for prosecution. Convictions were secured in 13 cases. In 7 of these cases fines were imposed, amounting to $140, and in 6 sentence was suspended. In one case the District Court for the Eastern District of Arkansas held the act unconstitutional. This case, United States *v.* Shauver, is now pending in the Supreme Court.

12. LACEY ACT.

There were reported to the United States attorneys for prosecution 180 violations of this act. In 161 cases fines were imposed, aggregating $5,550.75. In 6 cases sentence was suspended. At the end of the year cases charging 74 violations were pending.

PUBLIC LANDS DIVISION.[1]

At the beginning of the fiscal year 1914 there were pending in the courts approximately 674 civil and 215 criminal cases involving public lands. During the year 196 civil and 64 criminal cases were begun and 331 civil and 153 criminal cases were terminated.

Of the civil cases 174 were decided in favor of the Government, 33 were compromised, 73 were lost, and 51 were discontinued, leaving 539 pending at the close of the year.

In the criminal cases there were 45 convictions and pleas of guilty; 78 defendants were discharged on orders of nol. pros. and 34 by acquittal, quashing of indictments, etc.; 126 cases remained pending as to one or more defendants at the close of the year.

During the year the Government recovered damages in the aggregate amount of $298,093.78, with costs amounting to $13,197.15, and there was collected on civil judgments entered during the last and earlier fiscal years, including compromises of suits, $361,722.94, including $93,412.99 collected in suits growing out of the Oregon & California Railroad grants and compromised pursuant to the act of August 20, 1912. (37 Stat., 320.)

Judgments in criminal proceedings were obtained in the sum of $3,202.30 in fines and $1,332.20 in costs. There was collected on account of fines and costs entered in criminal cases during the last and earlier fiscal years $4,291.48.

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[1] In the following pages relating to litigation over public and Indian lands the term "case" is used to designate a single legal proceeding (which may involve one or several distinct transactions), with this exception: Many of the proceedings referred to under the head "Suits to cancel unlawful conveyances of Indian allotments Five Civilized Tribes," involve large numbers of conveyances and defendants claiming thereunder. The proceedings are in course of being disposed of in parts, and therefore, as a matter of convenience in referring to them, the word "case" is used to indicate the individual transaction rather than the suit in which it has become involved.

In pursuance of decrees of the courts unlawful inclosures were removed from 49,478 acres of the public domain, and title to 26,361 acres of public land was cleared through annulments of patents.

There were pending at the beginning of the fiscal year 1914 approximately 1,916 civil and 31 criminal cases relating to Indian lands. The greater number of the civil cases are those to which reference was made in the last annual report as having arisen from controversies over allotments to members of the Five Civilized Tribes and to Indians of the White Earth Reservation in Minnesota, of which more specific mention is made in the following pages. During the year 238 civil cases were instituted and 236 disposed of, leaving 1,918 pending at the close of the year. Of the civil cases 186 were terminated favorably and 13 adversely to the United States and 37 were discontinued. During the year 17 criminal cases were instituted and 18 disposed of, leaving 30 pending at the close of the year. There were 14 cases terminated by convictions and pleas of guilty, 3 by acquittal, and 1 by nolle prosequi.

1. OREGON AND CALIFORNIA LAND-GRANT SUITS.

As indicated in the last annual report, final decree was entered on July 1, 1913, in the main suit against the Oregon & California Railroad Co., adjudging that all of the lands still held by the railroad company at the time of the institution of the suit became forfeited, and quieting the title in the United States as against all claims by the railroad company, its mortgagees and trustees, and all other parties claiming under it. The lands thus recovered aggregate approximately 2,364,000 acres and their value is upward of $50,000,000. The defendants, cross petitioners, and interveners took an appeal to the Circuit Court of Appeals for the Ninth Circuit, the record being filed in that court on April 1, 1914. The case was argued and submitted on June 2, 1914. The court of appeals has announced that owing to the intricacies of the questions involved, the public importance of the case, and the consequent desirability of having it determined at an early date, it will certify certain controlling questions therein to the Supreme Court. Should the Supreme Court thereupon think best to call up the entire record, it is possible that this controversy may reach a final settlement within a few months.

Reference has been made in former annual reports to the 45 suits instituted against individuals and companies, who, directly or through mesne conveyances, had purchased lands from the Oregon & California Railroad Co. Twenty-one were undisposed of on July 1, 1913. Since that date nine suits, embracing 40,065.93 acres, have been compromised (including two mentioned in my last report as having been settled between the close of the fiscal year 1913 and the

date of the report), and decrees of forfeiture entered therein under the act of August 20, 1912 (37 Stat., 320). Upon subsequent applications for patents in seven of these cases (including the two just referred to parenthetically) the Government has realized $93,412.99 during the fiscal year 1914, making the total thus realized on all such applications up to July 1, 1914, $885,812.33. In seven of the remaining cases applications for compromise are now under consideration.

2. THE COOS BAY WAGON-ROAD CASE.

In pursuance of the joint resolution of April 30, 1908 (35 Stat., 571), this suit was instituted in the district of Oregon on December 27, 1910, against the Southern Oregon Co. to declare the forfeiture of title to about 96,000 acres of land located in Oregon and valued at more than $5,000,000. The land was granted to the State of Oregon by the act of March 3, 1869 (15 Stat., 340), to aid in the construction of a military wagon road between Coos Bay and Roseburg in that State, and was, by the State, subsequently assigned to the Coos Bay Wagon Road Co. The terms of the grant required that the land should "be sold to any one person only in quantities not greater than one-quarter section and for a price not exceeding $2.50 per acre." This provision, it is averred, was violated by the Coos Bay Co. Through mesne conveyances the lands passed to the Southern Oregon Co., which now claims to own them. As the condition of the grant alleged to have been violated is similar to that involved in the suits against the Oregon & California Railroad Co., supra, this suit was not pressed until after the decision in the main case against that company. Issues have been joined and a special examiner appointed to take the testimony. Some of the Government's witnesses have been examined and the remainder of its testimony will probably be taken in the very near future. It is expected that the case will be submitted to the district court before the end of the present calendar year.

3. SUNK-LAND CASES IN ARKANSAS.

The test case referred to in the annual reports for the fiscal years 1912 and 1913 (United States *v.* Lee Wilson & Co.), involving the area known locally as "Moon Lake," was argued before the United States court for the eastern district of Arkansas in January, 1914, and resulted in a decision sustaining the Government's contentions on every point and the entry of a decree revesting title in the United States to all the lands involved (853.6 acres). The defendants have perfected an appeal to the circuit court of appeals and the case will probably be argued during the coming December term of that court. The five other suits, involving some 20,000 acres of timberlands in northeastern Arkansas, and all based upon facts analogous to those present in the case against Lee Wilson & Co., have been consolidated

by stipulation, so that the proofs in all may be submitted at one hearing. The Government's proofs have been taken and it is expected that the defendants will commence to take theirs in October, and that the cases will be submitted before the close of the present calendar year.

4. LITIGATION CONCERNING OIL LANDS RESERVED BY THE PRESIDENT.

In my last annual report I referred to the suits instituted in California and Wyoming to test the validity of the Executive orders promulgated by direction of the President, reserving large areas of public petroleum lands in California, Wyoming, and other States from location, settlement, selection, filing, entry, or disposal under the mineral or nonmineral public-land laws. These orders were promulgated on September 27, 1909, and on other dates subsequent thereto, but prior to the approval of the act of June 25, 1910 (36 Stat., 847), which expressly declares the authority of the President to make temporary withdrawals of public lands for public purposes. Special reference was made in the last report to the suit brought in Wyoming (United States *v.* Midwest Oil Co. et al.), which was selected for the purpose of securing a speedy judicial determination of the President's authority in the premises. This case, begun in February, 1913, and decided by the district court adversely to the Government, reached the Supreme Court in the following October term through a certificate from the circuit court of appeals. The whole record having been brought up, the case was advanced and was argued and reargued in January and May, respectively, of this year. Decision has not been rendered by the Supreme Court.

Another of these cases (against the Midway Northern Oil Co. et al.) was argued in the District Court for the Southern District of California. The Wyoming decision was followed, and the President's order of September 27, 1909, was declared void. This case is still pending in the trial court on application for rehearing, and awaits the decision of the Supreme Court in the case against the Midwest Oil Co. Two other suits involving this same withdrawal order have been brought in the State of California, in each of which it is also alleged that of those in whose names locations were filed none was bona fide interested—in other words, that they were "dummies"—and that their names were used merely to aid others to secure more than 20 acres of land by each location. In one of these it is alleged, in addition, that the entry upon the lands was in violation of the provisions of the act of June 25, 1910. Including the Midwest Oil Co. case, there are pending, all told, six suits involving the withdrawal order of September 27, 1909. The institution of many similar suits is being deferred pending investigation and report by agents of the General Land Office, action by Congress

upon bills there pending proposing changes in the law applicable to these cases and the decision of the Supreme Court in the Midwest Oil Co. case.

5. SUITS AGAINST THE SOUTHERN PACIFIC RAILROAD CO. CONCERNING OIL LANDS.

The last annual report under this head dealt, first, with litigation the purpose of which is to annul, on the ground of fraud alone, patents issued to the Southern Pacific Railroad Co. in 1904–5 under the act of July 27, 1866, and purporting to convey some 8,000 acres of land now believed to be chiefly valuable for petroleum. The most important of these suits involves 6,000 acres in the Elk Hills, Cal. All of the testimony has been taken in this case and it is set for argument at the November term of the district court for the southern district of California.

The last report made mention also of one case begun and others in prospect respecting oil lands in California held by the railroad company under patents containing express exceptions of all mineral lands other than iron and coal lands. In Burke *v.* Southern Pacific Railroad Co. et al. (234 U. S., 669), a private suit decided by the Supreme Court in June last, these exceptions were held ultra vires of the Land Department and void. The bill in the Government's first case (in which it is claimed that one of these patents, embracing some 46,000 acres of petroleum land, was procured by false representations) has since been amended to bring out more clearly the fraud feature, which was not presented in the Burke case.

In a second suit, filed in the District Court for the Southern District of California on June 16, 1914, another patent covering about 50,000 acres of petroleum and other mineral lands is attacked in the same way.

6. WATER RIGHTS.

The safeguarding of the water rights reserved by the Government in the carrying out of its reclamation policy has proceeded during the last fiscal year, and substantial progress also has been made in protecting the water rights reserved to the Indians. As examples of the litigation thus occasioned may be mentioned two suits pending in the district courts for Nevada and California, respectively, involving the water rights of the Truckee-Carson reclamation project, the Indians of the Pyramid Lake Reservation, numerous private irrigators, and several hydroelectric power companies, all of whom claim the use of waters of the Truckee River. In one of these suits there are some 400 defendants. Other suits of similar scope and character are pending, some in the Federal and some in the State courts, notably a suit in New Mexico to determine the water rights

of the Government for the Hondo reclamation project and the Fort Stanton Sanitarium as against all other claimants of water in the Hondo River stream system; a suit in the State court of Colorado affecting the water rights of the Grand Valley reclamation project; and a suit in the State court of Arizona affecting the water rights of the Pima Indians in the Gila River.

The department takes the position that in the arid and semiarid regions, where the legality of diverting and appropriating water for beneficial uses on nonriparian lands is generally established, the original right of the Government to appropriate surplus water for its own uses, particularly for the reclamation of its enormous holdings of arid lands, has not been surrendered by any act of Congress or devested by the mere creation of the States into which those regions have now become incorporated. This position has been sustained by one of the district courts of the State of Colorado. Its soundness has been challenged by certain claimants who would have the Federal user dependent on the permission of State laws. The question, never passed on, I am advised, by the Supreme Court, seems very important theoretically, but in practice it has hitherto been obviated by the general identity of interests, and the disposition of the Government to follow the State administrative procedure wherever practicable.

7. OCCUPATION OF NATIONAL FORESTS BY POWER COMPANIES.

Progress favorable to the Government has been made in the several suits pending in Colorado and Utah to restrain various power companies from operating power plants and transmission lines within the National Forests without complying with the regulation of the Secretary of Agriculture. In a representative case arising in Utah, the Circuit Court of Appeals for the Eighth Circuit has determined some of the fundamental questions in favor of the Government's contentions, and the litigation in the court below is now proceeding in accordance with the opinion there expressed. (United States *v.* Utah Power & Light Co., 209 Fed., 554.)

8. SUITS TO CANCEL UNLAWFUL CONVEYANCES OF INDIAN ALLOTMENTS.

(a) Five Civilized Tribes.

During the last fiscal year 1,270 of these cases were disposed of, clearing record title to approximately 180,000 acres of allotted lands. Of these, 701 were dismissed upon the execution by the defendants of quitclaim deeds to the allottees covering the lands involved. In 152 cases decrees were entered canceling the instruments assailed, the greater number of such decrees being had upon disclaimers and orders pro confesso. The remainder of the cases disposed of were

dismissed because the department became satisfied that they could not be maintained. It is difficult to place a money value upon the lands affected by the cases terminated, but $10 per acre is probably not too high an average value, and at this rate the lands to which title has been cleared are worth about $1,800,000, of which $1,200,000 should be assigned to the lands recovered for the Indians.

The number of cases pending on July 1, 1914, was 17,092. This figure will be found to vary somewhat from that resulting from a calculation based on the last annual report, but the number now given, which is derived from a more thorough arrangement and classification of the litigation than has so far been possible, is believed to be correct.

Appeals have been taken by the United States from the decisions of the District Court for the Eastern District of Oklahoma in the following cases, which involve questions of importance and wide application:

United States *v.* W. M. J. Cook, No. 294.
United States *v.* J. B. Stigall, No. 442.
United States *v.* Helen F. Woods, No. 499.
United States *v.* Western Investment Co., No. 481.

In the case of United States *v.* Eli P. Williams et al., No. 332, the defendants have appealed.

All five of these cases have been assigned for submission at the December term of the Eighth Circuit Court of Appeals at St. Louis.

In the case of Reid *v.* Welty, which involves a question raised in many of these suits, Government counsel filed a brief as amicus curiæ in the Circuit Court of Appeals for the Eighth Circuit. The case was argued in the court of appeals in May last, and has not yet been decided.

Decisions in the cases just mentioned will affect approximately one-half of the cases now pending. Many others, however, raise different or additional questions, which, if answered adversely to the Government by the district court, will probably be presented for the decision of the higher courts.

Many of the pending cases come within the decision, adverse to the Government's contention, handed down on July 28, 1913, by the Circuit Court of Appeals for the Eighth Circuit in the Knight-Avery case (206 Fed., 145). After most careful consideration the department decided that an appeal to the Supreme Court in this case would be futile; wherefore, as fast as investigation discovers cases coming within its rule, they will be promptly dismissed.

There are also a large number of cases among those pending which involve the questions of law passed upon in the case of Bartlett et al. *v.* United States (203 Fed., 410), which is now pending on appeal in the Supreme Court. Such cases, of course, will be held in abeyance until the decision of the Supreme Court has been rendered.

Since the close of the last fiscal year this Five Civilized Tribes litigation has been placed in the charge of the United States attorney for the eastern district of Oklahoma. He is taking vigorous action with a view to the early disposition of such of the remaining cases as may be proceeded with independently of the decisions to be rendered in suits now pending in the higher courts.

(b) Suits affecting title to Seminole allotted lands.

During the past year the special counsel assigned to this work have devoted their time in greater part to the consideration of questions involving the right of the State to tax Seminole allotments. Test cases were instituted in the district court of Oklahoma designed to determine this question as to all classes of allotments, and the court has decided (1) that homestead allotments are not taxable while title remains in the original allottee or his heirs, without regard to the degree of Indian blood; (2) that allotments made to newborn Seminoles and freedmen enrolled and allotted under the act of March 3, 1905, are homesteads; (3) that surplus lands of living allottees of three-quarters or more Indian blood are not taxable unless restrictions upon alienation have been removed by the Secretary of the Interior; (4) that the interests of full-blood heirs in surplus lands inherited from deceased allottees and (5) lands allotted to full-blood heirs of deceased members are subject to taxation. The State authorities have accepted the rulings numbered (1), (2), and (3), which are opposed to the right of the State to tax, as final. From the rulings numbered (4) and (5), in favor of the right of the State to tax certain allotments, appeals have been taken in behalf of the Indians to the Supreme Court of Oklahoma. They were submitted there on July 16, 1914, and are now pending decision.

This litigation is immediately important in connection with the duty resting upon the Secretary of the Interior, under the provisions of the act of June 30, 1913, which requires him to pay, out of the tribal funds of the Seminoles, $200 to each enrolled member and to supervise the payment out of such per capita allowances of all unpaid taxes lawfully assessed against Seminole allotted lands. The officer charged with the disbursement of the tribal moneys has been advised not to pay any taxes assessed upon allotments of the classes involved in the appealed cases until such time as the pertinent questions of law shall be determined.

In addition to the above, 37 suits were commenced in the State court to cancel conveyances obtained by fraud and to quiet title to or recover possession of allotments. In seven suits instituted against allottees or their heirs involving title to and possession of allotments the Government's representatives appeared for the defendants. Two persons were charged in criminal actions with the forgery

of deeds to Seminole allotments, in one of which a plea of guilty was entered and in the other a conviction secured. Other similar cases are under investigation. Twenty-nine civil suits were disposed of either by judgments in favor of the allottees or by satisfactory settlement out of court. Many other controversies were settled by the Government's representatives in the Seminole County court in guardianship and administration matters, and matters involving the sale of minors' lands and lands inherited by full-blood heirs. Many other matters involving the alleged procurement of deeds from Seminole allottees by fraud and for inadequate considerations are now under investigation.

Since the close of the fiscal year 1913 the litigation affecting Seminole allotted lands has also been placed under the charge of the United States attorney for the eastern district of Oklahoma.

(c) Allotments in the White Earth Indian Reservation.

Previous reports have shown the institution by the Government of over 1,200 suits to recover lands alleged to have been illegally alienated by Indians of the White Earth Reservation and for accounting by various defendants for timber cut and removed from such lands. These suits involve 1,530 allotments. During the last fiscal year 17 cases have been terminated by decrees in favor of the Government, restoring to the Indians 1,459 acres of land. Seven cases erroneously instituted were dismissed during the year. There are now nearly 1,000 cases at issue, and during the last fiscal year 94 cases were referred to examiners in addition to the 677 cases previously referred. In a number of the cases the bills of complaint have been amended so as to include a prayer for an accounting for timber not originally included. The value of the timber involved exceeds $1,000,000.

At the beginning of the last fiscal year two criminal cases were pending in which six defendants were charged with conspiracy to defraud in matters relating to White Earth Indian lands. In one a conviction was secured and fines of $300 each were imposed upon two of the defendants. Restitution was made by one defendant to the extent of 750 acres of Indian land and $10,000 in cash. Following this conviction, one of the defendants in the other criminal case entered a plea of nolo contendere and was fined $100 and made restitution in the sum of $3,000 and 1,160 acres of land. A nol. pros. was entered as to the remaining defendants.

During the last year the following additional proceedings have been instituted:

Two suits in equity to remove clouds on the titles to allotments.

An action at law and a suit in equity against the Park Rapids Lumber Co., a corporation which is a defendant in many of the suits already pending, to collect damages in the sum of $200,000 for tim-

ber trespass committed by the defendant company upon Indian allotments and to prevent the dissipation of its assets pending the litigation.

Four suits to restrain the county officials of Becker, Mahnomen, and Clearwater Counties, in which the White Earth Reservation is located, from taxing lands still held by allottees, whether full blood or mixed bloods. These tax cases involve lands aggregating 69,204.11 acres.

Thirteen criminal cases instituted at the May term of the United States district court against individuals and corporations for violation of the Burke Act in taking or recording instruments secured from minor Indians purporting to convey their allotted lands.

There have been collected from the Park Rapids Lumber Co., without suit, $9,220.09 as damages for timber cut from one allotment and $10,926.48 as damages for timber cut from another, and these moneys have been turned over to the superintendent of the White Earth schools for the use and benefit of the respective allottees.

In the matter of the petition of Charles T. Wright et al. for the purification of the White Earth Indian roll (pending in the Court of Claims), the petitioners, certain Chippewa Indians and members of the bands thereof residing upon the White Earth Indian Reservation, seek to have eliminated from the White Earth roll the names of certain individuals alleged to be improperly included therein. Representatives of this department in charge of White Earth Indian matters argued this case in behalf of the petitioners in April, 1914. The case has since been assigned for reargument.

In the last annual report reference was made to the three test cases in which, in June, 1912, the district court for the district of Minnesota placed its construction upon the term "mixed blood" found in the act of June 21, 1906 (34 Stat., 325, 353). Upon appeal to the circuit court of appeals the act was construed to mean that any identifiable quantum of blood other than Indian blood relieves the allotments of the adult Chippewas from all restrictions upon alienation (208 Fed., 988). This ruling was affirmed by the Supreme Court on June 8, 1914, United States *v.* First National Bank (234 U. S., 245).

REPORTS OF SOLICITORS.

1. SOLICITOR OF THE TREASURY.

The report of the Solicitor of the Treasury shows that there were instituted during the past fiscal year 2,462 civil suits for the recovery of a total sum of $13,729,762.52, and 21 claims forwarded to this office for suit to the amount of $100,630.64, but which were settled in full without suit, and that judgments in favor of the United States

were rendered in suits instituted during the year and prior thereto amounting to $1,045,879.82. Collections and deposits in civil miscellaneous claims amounted to $1,140,654.72.

In addition, fines aggregating $1,107,625.88 were imposed in 3,723 criminal cases, and fines collected and deposited during the fiscal year amounted to $597,225.47. Claims were settled by compromise upon the payment of the sum of $411,350.54, and there was deposited in the Treasury from moneys remaining in court registries, under sections 996 and 4545, Revised Statutes, the additional sum of $38,894.90, making the total amount collected and deposited in the Treasury under the direction of this office $2,188,125.63.

There were 5,416 bonds, contracts, etc., examined, and 161 written opinions rendered by the office in addition to numerous verbal opinions given and other matters disposed of which can not well be tabulated.

2. SOLICITOR OF THE DEPARTMENT OF COMMERCE.

Summary of work done, fiscal year July 1, 1913, to June 30, 1914.

Contracts examined (approved, disapproved, drafted, redrafted, modified, involving expenditures amounting to $828,890)	138
Contracts examined (indeterminate amounts)	8
Leases (approved, disapproved, drafted, redrafted, modified, involving expenditures amounting to $274,614)	28
Revocable licenses (approved, disapproved, drafted, redrafted, modified, involving expenditures amounting to $978)	13
Insurance policies (in the sum of $164,400)	8
Bonds (approved, disapproved, drafted, redrafted, modified, involving expenditures amounting to $436,539)	169
Deeds (involving payments of $3,986)	3
Legal opinions rendered, formal and informal (memorandum)	287
Miscellaneous matters, embracing everything submitted for the advice or suggestion of the solicitor or for the formulation of departmental action not included in the foregoing items	490

3. SOLICITOR OF THE DEPARTMENT OF LABOR.

Summary of work done, fiscal year July 1, 1913, to June 30, 1914.

Legal opinions rendered, formal	122
Claims, injured employees' compensation act, involving examination as to law and facts	2,520
Contracts examined, approved, disapproved, drafted, redrafted, or modified	288
Leases examined, approved, or disapproved	159
Bonds, contract, examined, approved, or disapproved	62
Bonds, official, examined, approved, or disapproved	4
Bonds, alien immigrants, examined, approved, or disapproved	1,909
Miscellaneous matters, embracing everything submitted for advice or suggestion of the solicitor, or for the formulation of departmental action, not included in the foregoing items	598

OPINIONS.

1. GENERAL.

During the fiscal year 1914, 23 opinions were rendered upon questions of law, 3 upon requests of the President, and 20 upon requests of the heads of departments.

2. TITLE AND CONDEMNATION.

During the fiscal year ending June 30, 1914, there were rendered 148 title opinions on lands purchased by the United States. During the same period 32 condemnation cases were concluded and opinions rendered.

The total value of the lands acquired by purchase and condemnation was about $2,625,000.

Fifteen opinions were prepared on questions incidentally arising out of real estate matters, but not relating to specific titles.

In 79 cases, principally acquisitions of forest lands under the Weeks Law, titles have been examined and found defective and condemnation directed. These proceedings are now pending. The value of the lands so to be acquired can not now be definitely stated.

BUREAU OF INVESTIGATION.

During the past fiscal year the work of this bureau has steadily increased, the net increase having been about 9 per cent.

A detailed statement showing by months and by classes of cases how the appropriation for detection and prosecution of crimes has been expended is appended as an exhibit.

On January 1, 1914, the office of the special commissioner for the suppression of the white-slave traffic was consolidated with the Bureau of Investigation, in order that all of the investigating work of the department might be under one head and possible friction and unnecessary expense avoided.

It has been found desirable and practicable to abandon the offices maintained in Baltimore for the special commissioner, to dispense with the services of all of the clerks who were employed there with the exception of two, and otherwise to bring about economies, all of which have amounted to several thousands of dollars and none of which has in any way interfered with the effective investigation of violations of the white-slave-traffic act, as will more clearly appear hereafter. This decrease in office and overhead expense has made it possible to do more actual work in the field.

1. WHITE-SLAVE TRAFFIC.

During the past fiscal year there have been under the white-slave-traffic act 435 indictments, 357 convictions, 53 acquittals, and 46 cases discontinued. During the preceding fiscal year there were 332 indictments, 266 convictions, 35 acquittals, and 19 cases discontinued.

It is believed that the continued vigorous enforcement of this act is beginning to make itself felt and that the interstate transportation of women for immoral purposes is decreasing.

2. VIOLATIONS OF THE ANTITRUST LAW.

The work of the agents of this bureau in connection with investigations of complaints of violations of the antitrust law and in securing evidence in pending cases brought thereunder has materially increased in the past year. There have been pending an average of 41 such investigations each month, as compared with 36 during the preceding year. These investigations have been distributed as far as possible among agents located in the particular parts of the country in which inquiries have been made in order that the expenses might be kept as low as possible, and, while a number of these investigations have not resulted in evidence which would justify the institution of proceedings in court, it is believed that the activity of the department in such cases has been of benefit in causing the responsible persons involved to forego improper practices.

3. PEONAGE CASES.

The special agents of this bureau made more investigations of alleged violations of the peonage laws than during the preceding year, there having been pending an average of nine such investigations each month. The evidence thus secured resulted in three times as many indictments as were returned in the last fiscal year.

4. BANKRUPTCY CASES.

Violations of the national bankruptcy act have become so numerous and so flagrant that special attention has been given to them by the investigating agents of the department during the past fiscal year. There have been pending a monthly average of 21 such investigations, as compared with 8 during the preceding year. Approximately three times as many indictments and twice as many convictions have been obtained as were had during 1913 in cases in which agents of the department were engaged.

5. FRAUDULENT IMPERSONATION OF GOVERNMENT OFFICERS.

Increased activities are also shown in the enforcement of section 32 of the Federal Penal Code, which deals with the fraudulent impersonation of Government officers.

Difficulties experienced in this connection emphasize the need for legislation penalizing the use by detective agencies, collection agencies, and the like, of the names "United States," "national," "Federal," "secret service," "bureau," or "division of investigation," or any other names, titles, emblems, or descriptive matter tending to create the impression that the firm, corporation, or individual using them is under the control of or in any way connected with the Federal Government. It is believed that legislation of this character will result in a more effective enforcement of section 32 of the Criminal Code, and enable the Federal Government to reach a class of persons whose fraudulent operations usually do not violate any existing Federal law and can not be handled readily by State authorities.

6. VIOLATIONS OF NEUTRALITY LAWS.

The disturbed conditions of affairs in the Republic of Mexico during the past fiscal year again made necessary a large amount of work in enforcing the neutrality statutes along the border between that country and the States of Arizona, New Mexico, Texas, and California.

Since the President's proclamation of February 3, 1914, repealing the proclamation of March 14, 1912, prohibiting the shipments of munitions of war into Mexico, this work has fallen off somewhat, but the activities of persons in the United States on behalf of various factions in Mexico require constant attention.

7. WORK OF EXPERT ACCOUNTANTS.

During the past year the work of the expert accountants of this bureau has been large in volume and efficient in results. This force was organized primarily to conduct investigations of alleged violations of the national banking laws, but its field of operation has been gradually extended to include examinations under the postal laws, the bankruptcy laws, the antitrust laws, customs laws, and various other classes of cases in which problems of accountancy are or may be directly or collaterally involved. The system that has been perfected by these accountants for the development of evidence in prosecutions under the banking laws has materially reduced the time and expense which were heretofore required in the preparation and trial of such cases.

The Federal reserve act provides that the officers, agents, and employees of State banks which shall become members of the Federal Reserve System shall be subject to the restraints and penalties prescribed by the sections of the Revised Statutes defining the criminal responsibility of national-bank officers. It is probable that this legislation will considerably augment the work which must necessarily be performed by these accountants.

8. MISCELLANEOUS.

Quite a number of investigations have been made of alleged illegal use of the Red Cross emblem in violation of the act to incorporate the American Red Cross, approved January 5, 1905. In a number of cases the unlawful practices have been promptly discontinued without the necessity of instituting prosecutions.

Considerable increase over the preceding fiscal year is shown in the number of investigations, indictments, and convictions under the act of February 13, 1913, providing punishment for the unlawful breaking of seals of railroad cars containing interstate or foreign shipments, the stealing of freight or express packages, etc., in the process of transportation in interstate shipment.

Important investigations were also made during the past year in the cases of United States *v.* Jelke and others, in which the principal defendants were convicted of oleomargarine frauds, United States *v.* Ottoman Hanish, the leader of a so-called religious cult, who was convicted of sending obscene matter in interstate commerce, and United States *v.* Wetmore and others, in which certain employees of a steel company have been indicted for conspiracy to defraud the United States in connection with a contract for steel plates.

An examination has been made of the office of the auditor of the Supreme Court of the District of Columbia.

9. EXAMINATION OF THE OFFICES OF THE UNITED STATES COURT OFFICIALS, ETC.

The average number of examiners in the field during the past fiscal year was about 12.

In addition to completing a number of general examinations begun in the prior fiscal year, examinations of the offices of officials of the United States courts were commenced in 28 judicial districts, which examinations, with one exception, have now been completed. The number of these examinations commenced is slightly less than that shown for the preceding fiscal year, which fact may be attributed to the necessity for making examinations in the four divisions of Alaska, which have required considerable time, and the large number of special investigations which it has been found necessary to make. In addition to the general examinations, examinations of

certain offices in four districts, 57 special investigations with reference to the conduct and accounts of different court officials or with regard to other miscellaneous subjects, and 4 special field examinations to test the accuracy of the accounts of certain United States marshals, deputy marshals, and commissioners were made.

The following matters resulting from this work may be mentioned:

In one district a deputy clerk was required to resign following an investigation into the irregular payment to him of witness fees in a United States case.

In the northern district of California Commissioner Ford, referred to a year ago as having been indicted for receiving money from accused persons while cases against them were still pending, has been convicted and sentenced to 12 months' imprisonment and a fine of $1,300.

In the northern district of Illinois the suits brought to recover interest moneys which accrued on official deposits in the hands of clerks of court and were by them converted to their own use were decided against the Government. The United States attorney has been directed to take the matter to the circuit court of appeals.

The case against E. R. Mason, former circuit clerk in the southern district of Iowa, to recover moneys received in official capacity has been taken to the circuit court of appeals by the defendants chiefly on the question of application of the statute of limitations to the United States in matters of this sort.

In the eastern district of Kentucky Commissioner Hale, referred to last year as having been padding his account, was indicted, plead guilty, was fined $150, and has agreed to repay to the Government $161.35.

In a Mississippi Valley district it was found that fees in excess of $300 had been collected from official funds and paid to a clerk now deceased, or to his estate, for services which were not performed during his lifetime. The estate has been called upon to refund the money.

In the eastern district of Michigan the deficit referred to a year ago resulting from erroneous payments from the registry some 18 years ago has been fully corrected by the repayment to the registry account of the sum of $935.06.

In a Middle West district it was found that the marshal had been converting official funds to his own use. He has been indicted and the case against him is pending. Another examiner in the same district found irregular charges in the accounts of a former deputy marshal. This matter is still pending.

It was also found in this district that the clerk and a former clerk had been omitting from their emolument returns and retaining balances of moneys received for publishing and mailing notices in bankruptcy cases. The total net amount may reach $3,000, possibly more.

In New Jersey legal proceedings have been instituted to recover the amount of about $29,000 claimed by the Government as excess earnings of a former circuit clerk.

In one of the nine judicial circuits it was found that the clerk of the circuit court of appeals had been using for private pur-

poses moneys which came into his custody in official capacity. This matter is still pending.

In the same district it was found that the district clerk had been withholding from his emolument returns a considerable amount of money received by him for services relating to the printing of appeal records. His resignation has been accepted.

In the third circuit the case of the Government against the former clerk of the circuit court of appeals, William H. Merrick, to recover a balance of official earnings amounting to about $1,200, has been compromised for $800.

In a southeastern district it was found that a field deputy marshal had been making irregular charges in his accounts. This matter is still pending.

In an eastern district it was found that a deputy clerk had been using public funds for personal purposes. This matter is still pending.

In the western district of Washington Samuel D. Bridges, formerly circuit clerk, abandoned his appeal and is now serving his sentence in McNeil Island Penitentiary. All civil matters growing out of shortages for which he was responsible have been settled as far as the Government is concerned.

In a northwestern district a former deputy clerk is now under indictment for converting to his own use moneys belonging to the Government.

A suggestion by Circuit Judge Putnam, of the first circuit, has been followed, and a uniform system of dockets and cash books for clerks of the circuit courts of appeals adopted. The books have been prepared and are being issued upon requisitions from the clerks.

The foregoing represents simply the matters that stand out most conspicuously. There has been also a continued tendency to improvement in official matters and methods through the visits and suggestions of the examiners, and the action taken by the department upon their reports. The class of clerks who formerly seemed to regard themselves as in no way subject to the supervision of the department, and whose offices were conducted without due regard to the law and the rights of litigants, has largely been superseded by progressive men of business-like methods, who appreciate the fact that their offices should be conducted so as to best serve the public and not their individual interests, and who recognize the supervisory authority vested by statute in this department. This progressive change in personnel must necessarily render the work of the examiners easier and its effects more permanent.

As forecast in the reports of a year and two years ago, it is hoped that the department will be able to begin the regular examinations of the offices of referees in bankruptcy by the close of the coming winter. By that time it is believed that it will be making general examinations in each district at the rate of once in two years.

In the last report attention was invited to the 12 districts of the United States in which clerks of district courts, and in some districts

the marshals, are authorized by law to charge and collect double fees. Since that time legislation has been enacted placing the districts of Oregon, Montana, and eastern and western Washington on a single-fee basis. I know of no good reason why like action should not be taken with reference to all other double-fee districts, except, perhaps, the district of Nevada.

The work of the examiners and the few investigations made by special agents regarding court offices and court officials have cost the Government a little in excess of $45,000.

10. NECESSITY FOR ADDITIONAL EXTRADITION TREATIES.

The work of this bureau in connection with the apprehension of fugitives from justice has demonstrated a great need for better extradition treaties. It is believed that a strong effort should be made to secure extradition treaties with countries with which none now exists, and that many offenses not now extraditable should be made so. Among other important offenses which it seems should be universally extraditable are those involving violations of the national banking act, laws governing the use of the mails, and the white-slave traffic act. The ingenuity of criminals has required the passage of laws defining many new crimes which are now among the most important requiring the attention of the Federal courts. The extradition treaties have apparently not kept pace with the enactment of new criminal statutes.

PRISONS AND PARDONS.

1. UNITED STATES PRISONS AND TRAINING SCHOOLS.

The number of United States prisoners in confinement in the United States penitentiaries at Atlanta, Ga., Leavenworth, Kans., and McNeil Island, Wash., the Government Hospital for the Insane, the National Training School for Boys, and in State institutions other than county jails (that is to say, the penitentiary class of United States prisoners) on June 30, 1914, was 3,214, as compared with 2,937 on June 30, 1913, an increase of 277. Of the 3,214 in confinement on June 30, 1914, 2,034 were confined in the United States penitentiaries, 806 were confined in State penitentiaries, 54 were confined in State reformatories and houses of correction, 77 were confined in penitentiaries and workhouses which receive prisoners for terms of not more than one year, 112 were confined in the National Training School for Boys, at Washington, D. C., and 131 were confined in the Government Hospital for the Insane, Washington, D. C., where they were undergoing treatment for unsound mental condition.

(a) Penitentiary at Atlanta, Ga.

The number of prisoners in confinement June 30, 1914, was 789, the average daily population being 792; the average daily population for the fiscal year 1913 was 881; the cost of maintenance of the penitentiary was $201,051.01; the average yearly cost of maintenance per man was $256.33; the daily cost was $0.702; the yearly cost of maintenance per man for 1913 was $223.70, and the daily cost for that year was $0.613; the daily cost per man for subsistence alone was $0.165, as compared with $0.130 for 1913. The increase in the subsistence cost was due almost wholly to the increased cost of subsistence supplies.

During the year the prisoners continued to be employed in the erection of new prison buildings, the cultivation of the prison farm, and the usual prison duties. The value of the farm supplies raised and used by the penitentiary during the year was $9,061.54. During the year there were 11 deaths, an increase of 6 over the year before.

(b) Penitentiary at Leavenworth, Kans.

The number of prisoners in confinement June 30, 1914, was 1,064. The average daily population being 1,020; the average daily population for 1913 was 1,171.

The cost of maintenance for the penitentiary for the year was $249,429.33, the average yearly cost per man being $244.54, and the daily cost $0.67. The cost for subsistence alone was $0.177. The cost per man per day for maintenance in 1913 was $0.605, and the cost for subsistence alone was $0.147. The increase in the per capita expense is accounted for by the increased cost of supplies and a partial failure of the farm crops due to drought.

During the year the prisoners were employed in conducting the erection of new prison buildings, in the cultivation of the prison farm, and the usual prison duties.

The value of the farm products raised during the year and used by the penitentiary was $13,566.69, as compared with $16,908.43 for the preceding year.

There were 9 deaths during the year, as compared with 12 during the preceding year.

(c) Penitentiary at McNeil Island, Wash.

The number of prisoners in confinement on June 30, 1914, was 181, the average daily number for the year being 196, as compared with 216, the average for the preceding year. The cost of maintenance of the penitentiary for the year was $49,809.55, the average yearly cost of maintenance per prisoner was $234.88; the daily cost was $0.641; the daily cost per prisoner for subsistence alone was

$0.132, as compared with $0.108 for the preceding year. During the year the prisoners were employed in excavating and filling, the cultivation of the prison farm, and the usual prison duties. There were three deaths during the year.

(d) Bureau of criminal identification.

During the year ended June 30, 1914, 19,157 criminal measurements were received, of which 17,246 were finger-print records and 1,911 anthropometric or Bertillion records. There are at present on file in this bureau 38,009 Bertillion photographs and records, 69,695 finger-print records, and 102,456 criminal-index cards. During the year 1,549 identifications were made, of which 1,093 were by the finger-print system and 456 by the Bertillon system.

(e) National Training School for Boys.

The report of the board of trustees shows that there were confined in the school on June 30, 1914, 405 juvenile offenders, an increase of 23 over June 30, 1913. There were received during the fiscal year 189 juvenile prisoners, a decrease of 92 as compared with the prior year. Of this number 80 were committed from the juvenile court of the District of Columbia, 5 from the Supreme Court of the District of Columbia, and 62 from the United States courts. There were returned to the school 38 paroled prisoners and 4 boys who had escaped.

During the year work on the new central school building was continued, and the trustees express the hope that the work will be so well advanced as to permit of a portion of the structure being used early in the fall of 1915.

(f) National Training School for Girls.

The report of the trustees of the National Training School for Girls shows that on June 30, 1914, there were 78 inmates. During the year there were 28 commitments and 32 paroles. The health of the inmates has been remarkably good. The board calls attention to the necessity of caring for feeble-minded colored girls, who in the past have been sent to this school because of the lack of an appropriate institution to care for them. The board says it is notorious that a girl on parole from this school is regarded as easy prey, especially immediately after being paroled, and calls attention to the desirability of a law to provide special penalties for those who lead astray girls on parole from this institution. The board calls attention to the need of new land for farm purposes, now that the new building and heating plant have taken much of the ground heretofore under cultivation.

2. PARDONS.

The report of the attorney in charge of pardons shows the number of applications for clemency considered during the year and the number of applications granted, denied, and pending to be as follows:

Cases pending July 1, 1913	124
Cases filed during the year ending June 30, 1914	655
Cases reopened, filed in prior years	9
Total number of cases for consideration	788
Applications granted:	
Pardons	34
Pardons, after sentence served, to restore civil rights	57
Conditional pardons, after sentence served, to restore civil rights	1
Pardons to restore rights of citizenship to deserters from the Army and Navy	12
Sentences commuted	103
Sentences commuted conditionally	13
Fines remitted	16
Fines and costs remitted	8
Costs remitted	2
Fines remitted conditionally	2
Respites granted	1
	249
Applications denied	102
Total number of cases considered by the President	351
Cases adversely reported by district attorneys and judges	310
Cases filed without action	35
Cases pending June 30, 1914, including those wherein reports had not been received or which were awaiting further information from other sources	92
Total number of cases disposed of or pending	788

MISCELLANEOUS.

1. FRAUDS ON THE REVENUE AND RELATED SUBJECTS.

(*a*) The cases of the United States *v.* Federal Sugar Refining Company and the United States *v.* American Sugar Refining Company, to recover for duties fraudulently withheld, are pending in the District Courts for the Southern District of New York and the Eastern District of Louisiana, respectively.

(*b*) The cases of the United States *v.* Salen and the United States *v.* Sherman and Sons Company, involving the construction of laws affecting the collection of revenue, are pending in the Supreme Court of the United States.

(*c*) All unsatisfied claims of a civil nature against John Wanamaker and others, arising out of illegal importations prior to March 2, 1913, have been settled during the last fiscal year for $100,000,

and that amount was paid into the Treasury of the United States on March 30, 1914.

(*d*) The case of Louisiana Distillery Company *v.* Collector of Internal Revenue, known as the "Whisky Case," is pending in the District Court for the Eastern District of Louisiana. The evidence for the Government has been taken, but the Distillery Company has not yet submitted all the evidence that it expects to offer.

2. DIVISION OF SUPPLIES.

During the fiscal year 1914, the division received 5,958 requisitions for supplies. Upon these requisitions there were issued 2,568 purchase orders. The total expenditure was approximately $85,586.41.

One thousand four hundred and thirty-eight requisitions for printing and binding were drawn on the Public Printer. The total cost of printing and binding for the fiscal year 1914 was $44,060.54.

In addition to the foregoing, there was expended the sum of $4,140 under the appropriation "Federal court reports and digests," and $1,980 under the appropriation "United States Supreme Court reports," authorized by sections 227, 228, and 229 of the Judicial Code. There was also expended for the department library and the several libraries of the solicitors $4,600, an aggregate of $134,246.95.

APPROPRIATIONS AND ESTIMATES.

A detailed statement of appropriations covering the fiscal year 1914 for the Department of Justice and the courts of the United States is shown by Exhibit No. 4.

The grand total of all appropriations for the department and the courts of the United States for the fiscal year 1914 was $11,192,647.02, of which $6,020,816.04 was for the department and $5,171,830.98 for expenses of the courts.

The appropriations for the current year (1915) aggregate $10,943,340.18, and the total amount of the estimates submitted for the next fiscal year (1916) is $11,300,198.50, an increase of $356,858.32.

There is no real increase in "department salaries," the apparent slight difference being explained by the fact that the appropriation act for the present year took effect July 16, and for that half month the salaries for the previous year prevailed.

"Department contingent fund" remains the same.

The slight increase in "judicial salaries" grows out of the creation of an additional judgeship in southern California and an additional commissioner in Glacier National Park.

Under the head of "Public works" there is an increase of $60,000. Of this increase, $50,000 is for the purpose of furnishing material to employ the increased number of convicts which the superintendent

estimates will be confined at the Leavenworth Penitentiary during the next fiscal year. Many of the Federal prisoners are confined in State penitentiaries, and as the buildings at Leavenworth are enlarged by convict labor so as to accommodate a larger number of these they are withdrawn from the State prisons and employed mainly on construction work. The remaining $10,000 is to purchase land to be used in securing an additional water supply at the McNeil Island Penitentiary. This is recommended by the superintendent of prisons, and appears to be essential to the proper maintenance of this institution.

There is no increase in "printing and binding."

There is an apparent increase of $28,772.50 in "miscellaneous." There is, however, an actual decrease in this item of about $31,000. This is due to the fact that Congress reappropriated in its last appropriation bill an unexpended balance of about $60,000, belonging to the fiscal year 1914, for litigation affecting the interests of the Five Civilized Tribes. This money is being used during the current year, but can not be included in the list of appropriations for 1915.

Under the head of "United States courts" there is an apparent increase of $278,854. This is accounted for by the fact that there will be a large deficit in the appropriation for 1915 for fees of witnesses and for support of prisoners. The estimated amount of this deficit, added to the appropriation, will equal the estimates for 1916.

The item "permanent annual" remains the same.

THE SUPREME COURT.

The following table shows the result of the last year's work of the Supreme Court of the United States so far as the number of cases can show it. There was an increase of 15 in the number of cases docketed on the appellate docket and an increase of 17 in the number disposed of. The number of cases remaining undisposed of was decreased from 604 to 535:

	Appellate docket—October term.									
	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913
Cases at close of previous term not disposed of	282	280	305	343	421	478	586	640	671	604
Cases docketed at the term	400	488	476	471	487	503	509	530	509	524
Total	682	768	781	814	908	981	1,095	1,170	1,180	1,128
Cases disposed of at the term	402	463	438	393	430	395	455	499	576	593
Cases remaining undisposed of	280	305	343	421	478	586	640	671	604	535

A reference to the foregoing table shows a total of 1,180 cases on the appellate docket during the 1912 term. The number of cases

pending was decreased during the 1913 term to 1,128, showing a decrease of 52 cases on the appellate docket.

At the close of the October term, 1912, there remained undisposed of on the appellate docket 604 cases, and on the original docket 12 cases, making a total of 616. The number of cases docketed at the October term, 1913, was 526, of which 524 were on the appellate docket and 2 on the original docket. These, with the 616 cases remaining undisposed of, make the total number of cases pending at the last term 1,142, of which 1,128 were on the appellate and 14 on the original docket. Of this number 597 were disposed of during the term, of which 593 were on the appellate and 4 on the original docket, leaving undisposed of at the close of the October term, 1913, 545 cases, 535 being on the appellate and 10 on the original docket.

The number of appellate cases actually considered by the court was 479, of which 250 were argued orally and 229 submitted on printed arguments. Of the 593 appellate cases disposed of 181 were affirmed, 115 reversed, 122 dismissed, 57 were settled by the parties and dismissed, in 17 questions certified were answered, 100 were denials of petitions for writs of certiorari under the act of March 3, 1891, and 1 was docketed and dismissed.

The total number of cases on the appellate docket in which the United States was a party or had a substantial interest disposed of at the October term, 1913, was 148. The United States was appellant in 52 of these cases and appellee, etc., in 85, and 11 were certifications of questions.

Of the 52 cases appealed, etc., by the Government, 23 were decided in its favor and 24 adversely, 1 was dismissed by it, 2 were dismissed by the court for want of jurisdiction, and 2 were denials of petitions for writs of certiorari. In 2 cases rehearings are pending.

Of the 85 cases in which the Government was appellee, etc., 31 were determined in its favor, 10 adversely, 4 were dismissed by the court, 4 partly in favor and partly adverse, 9 were dismissed by the appellants, 2 dismissed per stipulation, 4 dismissed under the tenth rule, 1 docketed and dismissed, and 20 were denials of petitions for writs of certiorari. In addition, 11 were certifications of questions, 4 of which cases were modified and affirmed, 2 decided in favor of the Government, and 5 adversely, 10 of these certifications relating to what were known as the "Yacht Tax Cases."

Of the foregoing 148 cases, 9 were appeals from the Court of Claims, 2 of which were taken by the Government and 7 by the other side. Both of the cases appealed by the Government were decided against it, while of the 7 appealed by the other side 5 were decided in favor of the Government and 2 adversely.

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Of the 148 cases referred to 46 were criminal, of which 4 were capital, 12 being appealed by the Government under the Criminal Appeals Act. Thirty-four were appealed, etc., by the defendants. Of the above 12 cases, 8 were decided in favor of the Government, 2 adversely, and 2 were dismissed by the court; while of the 34 cases appealed, etc., by the defendants, 6 were decided in favor of the United States, 4 adversely, 2 were dismissed under the tenth rule, 2 dismissed per stipulation, 2 dismissed by the court, 1 docketed and dismissed, 1 dismissed by the defendants, and in 16 petitions for writs of certiorari were denied.

Nineteen cases were appeals, etc., from the Circuit Courts of Appeals, in 10 of which the Government was appellant and in 9 appellee. Of the 10 in which the United States was appellant 1 was decided in its favor and 8 adversely, 1 being dismissed by the court; while of those in which it was appellee 6 were decided in its favor, 2 adversely, and 1 dismissed by the other side. Four of the above cases were from the Court of Appeals of the District of Columbia.

In addition 9 cases were on certiorari from the Circuit Courts of Appeals, in 4 of which the Government was petitioner, and in 5 respondent. Of the 4 in which the United States was petitioner 2 were decided in its favor and 2 adversely; while of those in which it was respondent 3 were decided in its favor and 2 adversely.

In cases finally determined the United States was respondent in 20 petitions for writs of certiorari and petitioner in 2, all of which were denied. Of these cases 2 were from the Court of Appeals of the District of Columbia. A motion for leave to file a petition for a writ of certiorari in forma pauperis to the circuit court of appeals and a motion for a writ of error to the Court of Appeals of the District of Columbia were both denied.

There were 4 cases from the Philippine Islands and 1 from Porto Rico.

Twenty-nine cases were appealed from the Commerce Court, 6 of these being known as the "Pipe Line Cases" and 10 as the "Tap Line Cases."

Of the 4 cases on the original docket 3 were for leave to file petitions for writs of habeas corpus and 1 for a bill of complaint, all of which were denied.

The Government filed briefs as amicus curiæ in the following cases: Joanna Little *v.* J. J. Williams et al., Louisville & Nashville R. R. *v.* Kentucky, Chapman & Dewey Lumber Co. *v.* Board of Directors of St. Francis Levee District, and Edmund Burke *v.* Southern Pacific R. R. Co.

ABSTRACTS OF DECISIONS AT OCTOBER, 1913, TERM.

The following are abstracts of the cases in which the United States was a party or had an interest decided at the October term, 1913:

State of Louisiana v. McAdoo, Secretary of the Treasury. (234 U. S. 627.)

This was a motion on behalf of the State of Louisiana for leave to file a petition against the Secretary of the Treasury and one of the Assistant Secretaries, seeking to prevent them from making an allowance of a 20 per cent preferential duty on sugar imported from Cuba after the Underwood Tariff Act became effective. Louisiana is a producer of sugar. An allowance of the preferential, the State claimed, meant a reduction in the price of its sugar and a consequent loss of revenue. The court, without intimating any opinion upon the merits of the controversy, denied the petition on the ground that the proceeding was in effect a suit against the Government, which can not be sued without its consent, and that the action of the Secretary involved the exercise of executive discretion.

Lapina v. Williams. (232 U. S. 78.)

This case decided that the provisions of the immigration act of 1907, with reference to the admission and deportation of aliens apply to all aliens whose history, condition, or characteristics bring them within the descriptive clauses of the act, whether entering the United States for the first time or returning after a temporary absence abroad.

Luria v. United States. (231 U. S. 9.)

Here the Supreme Court upheld the validity of that part of the naturalization act which makes the taking up of a permanent residence abroad within five years after the issuance of the naturalization certificate prima facie evidence of a lack of intention to become a permanent resident of the United States at the time of application for citizenship, and provides that in the absence of countervailing evidence the same shall be sufficient to warrant the cancellation of the certificate.

Billings v. United States; United States v. Billings; and 15 other cases. (232 U. S. 261 et seq.)

These are known as the "Yacht Tax Cases." They involved principally the constitutionality of that provision of the tariff act of 1909 which imposes an annual tonnage tax on the use of foreign-built yachts or pleasure boats owned or chartered for more than six months

by citizens of the United States, and the right of the Government to interest upon such tax in the event of nonpayment when due. The Supreme Court sustained both the Government's contentions. The court further decided that the tax is one on the actual use of the yacht and not on the privilege of use. The statute was held inapplicable, however, in the case of permanent residence and domicile abroad.

Graham and the Title Guaranty and Surety Company v. United States of America. (231 U. S. 474.)

This was an action upon a bond against Graham, contractor, and the Title Guaranty and Surety Company, surety, for breach of a contract to cut and furnish certain granite for use in the erection of the National Museum Building. Graham having abandoned work, the Government annulled the contract, brought suit, and obtained judgment, the validity of which was sustained by the Circuit Court of Appeals and the Supreme Court.

United States ex rel. Goldberg v. Daniels, Secretary of the Navy. (231 U. S. 218.)

Petition for mandamus at the instance of one who in response to an advertisement had made the highest bid for Government property to compel the officer having custody thereof to deliver the same; held that the United States being still the owner in possession of the property was the true party in interest and mandamus would not lie.

The Los Angeles Switching Case. (234 U. S. 294.)

This case involved the validity of an order of the Interstate Commerce Commission prohibiting an extra charge by the appellee railroad companies for delivering and receiving carload freight to and from industries located on spurs and sidetracks within their respective switching limits in Los Angeles. The commission found that the service rendered, instead of being accessorial or additional, justifying an additional charge, was merely a substitution for so-called team-track service. Accordingly it issued the order in controversy, the validity of which was sustained.

Interstate Commerce Commission v. Southern Pacific Company. (234 U. S. 315.)

This is known as the "San Francisco Switching Case." The questions presented were the same as those in the "Los Angeles Case," and the decision in the latter case was followed.

United States of America v. Antikamnia Chemical Company. (231 U. S. 654.)

Here the court was called upon to construe the provision of the food and drugs act of 1906 and the validity of regulations made thereunder relating to misbranding. The principal question was whether or not a manufacturer is obliged to state on the label or package the name of the primary substance as well as that of the derivative. The regulations referred to were promulgated by a board consisting of the Secretary of the Treasury, the Secretary of Agriculture, and the Secretary of Commerce and Labor, who, under the statute, are empowered "to make uniform rules and regulations for carrying out the provisions of the act." The validity of the regulations was assailed as being beyond the power of the Secretaries to make. This contention the court overruled. It also held that the act itself required a labeling of the derivatives and needed no regulation to support it.

Pronovost v United States. (232 U. S. 487.)

Writ of error to review a judgment of conviction for introducing intoxicating liquors into the Indian country dismissed, there being no basis for a direct writ.

Intermountain Rate Cases. (234 U. S. 476, 495.)

The construction and constitutionality of section 4 of the act to regulate commerce as amended, commonly known as the "long-and-short-haul clause," and the validity of an order made pursuant thereto by the Interstate Commerce Commission were the vital matters in issue. Twenty-eight carriers were before the court, all of them operating between Pacific Coast States points and points east of the Rocky Mountains. Upon application by them to the Interstate Commerce Commission to be relieved from the operation of section 4 and for authority to continue higher rates from eastern points to intermediate points in the Rocky Mountain and Pacific Coast States than to Pacific coast terminals, the commission issued an order granting in part the relief prayed, adjusted the rates, divided the United States for the purpose into five different zones, and established a proportionate relation to be maintained between the lower rate for the longer haul and the higher rate for the shorter haul upon the basis of percentages which were fixed with reference to the various zones. Thereupon the carriers attacked the constitutionality of section 4, claiming it to be a delegation to the commission of legislative power, and assailed the validity of the order as being beyond the power of the commission to make; but the court sustained the validity of both legislation and order.

Cameron v. United States. (231 U. S. 710.)

Held, that the use of testimony given by a bankrupt in a hearing before a commissioner, although prior to adjudication, to contradict his testimony given before the referee in a trial on an indictment for perjury in giving the latter testimony violates the immunity guaranteed under section 860, Revised Statutes.

Wilson, alias Charles Willard, v. United States; Wilson, alias Zoe Willard, v. United States. (232 U. S. 563.)

Held, that in order to constitute an offense under the white slave act of 1910 it is not essential that the transportation be by common carrier, the prohibition extending to other modes of transportation. Rulings of the trial court as to the admission of certain evidence formed the basis of other assignments of error, but were affirmed.

Bowling and Miami Investment Company v. United States. (233 U. S. 528.)

This was a suit for the cancellation of certain conveyances made to appellant by the heirs of an allottee Indian in violation of an act imposing a restriction upon alienation. The case turned upon the question whether the restriction was a mere personal one, operative only upon the allottee, or ran with the land, binding the heirs as well. The courts took the latter view, the conveyances were accordingly canceled, and the cancellations sustained.

Miller v. United States. (233 U. S. 1.)

Suit for the recovery of losses alleged to have been sustained through the cancellation by the postal authorities of a contract for carrying the mail between certain points in Alaska. It failed because under the terms of the contract the Government was given express authority to discontinue its performance.

Grant Brothers Construction Company v. United States. (232 U. S. 647.)

Action for the recovery of penalties for a violation of the alien contract labor law—inducing unskilled Mexican laborers to come into the United States to aid in the construction of a railroad line in southern Arizona. The Government obtained judgment, which the Supreme Court affirmed.

Diamond Coal & Coke Company v. United States. (233 U. S. 236.)

Here there was an affirmance of a decree of the Circuit Court of Appeals for the Eighth Circuit which directed the entry of a decree annulling patents to a large tract of coal lands in Wyoming, upon the ground that they had been fraudulently obtained through the use of soldiers' additional homestead scrip.

Gilson v. United States. (234 U. S. 380.)

This was a suit in equity to cancel a patent for a tract of land because of the fraudulent nature of the proof upon which the commutation entry was allowed. The trial court found for the Government. The Circuit Court of Appeals and the Supreme Court, in turn, affirmed the decree.

Lewis v. Frick, United States Immigration Inspector. (233 U. S. 291.)

This case decided that an acquittal of one under indictment for a violation of section 3 of the alien immigration act is not res judicata as to the deportation proceeding before the Secretary of Commerce and Labor provided by section 2 of the act, but that the right to prosecute criminally and the right to deport are concurrent and can both be exercised at the same time.

United States of America v. Axman. (224 U. S. 36.)

Suit was brought by the United States to recover on a dredging contract between it and Axman, with the American Bonding Co. as surety. Axman defaulted, the Government annulled the contract, relet the same, and sued for the increased cost in completing the work. The case went against the Government because of a material change in the relet contract.

Hollerbach v. United States. (233 U. S. 165.)

This was a suit upon a contract for repairing a dam in which appellants recovered damages sustained because of a mistaken representation by the Government of an essential condition.

United States v. Vulte. (233 U. S. 509.)

Held, that a provision in an appropriation act excepting certain places from the operation of a provision for additional pay for naval officers in foreign service is not to be construed as prevailing over the explicit provisions of an earlier act providing for such additional pay in such places.

United States v. Twenty-five Packages of Panama Hats. (231 U. S. 358.)

This was a proceeding to forfeit, for fraud of a foreign consignor, goods not technically entered at the New York customhouse, but unloaded from the ship and entered in General Order, that is, held in custody by the collector. The question was whether, under these conditions, the goods were liable to forfeiture. It was decided that they were.

Ocampo v. United States. (234 U. S. 91.)

Plaintiffs in error were convicted of criminal libel against Dean C. Worcester, a former member of the Philippine Commission. The conviction was sustained by the supreme court of the islands and the Supreme Court of the United States.

Delaware, Lackawanna & Western Railroad Company v. United States. (231 U. S. 363.)

Held, that hay purchased and transported by plaintiff in error over its line for use in operating mines owned by it, 75 per cent of the coal produced therefrom being intended for sale, is not necessary for the conduct of the company's business as a carrier, and that such transportation constitutes a violation of the commodities clause of the Hepburn Act.

Burke v. Southern Pacific Railroad Company; Lamprecht v. Southern Pacific Railroad Company. (234 U. S. 669.)

This was a private suit which came to the court by certificate from the Circuit Court of Appeals for the Ninth Circuit. The Government was permitted to file a brief. The appellant Burke claimed rights under the general mining laws to certain land included in a patent which had been issued to the Southern Pacific Railroad Co., and which contained an exception purporting to exclude all mineral lands from the grant of the patent, should any such be found. The principal question involved in the case concerned the validity of this exception. In the statement of facts accompanying the certificate it appeared that mineral, to wit, petroleum, had been discovered and was known to exist in the land before patent. The court nevertheless held the exception void. Another question of importance determined in the case is that lands chiefly valuable for petroleum are "mineral lands."

Green v. Menominee Tribe. (233 U. S. 558.)

Appellant sought to recover the value of supplies and equipment furnished to individual members of the Menominee Tribe of Indians in Wisconsin. It was held that there was no liability on the part of the Government, because it was not properly a party defendant, and none on the part of the Indian tribe, because agreement upon which recovery was sought did not comply with certain statutory requirements.

Peabody v. United States. (231 U. S. 530.)

The Government established a battery in connection with its military fortifications in the vicinity of appellants' property. The guns were twice fired for testing purposes, with slight damage to

appellants' buildings. It did not appear, however, that they were to be further used, except in time of war, or that they would be fired over a portion of appellants' land, although this could be done more satisfactorily and advantageously. *Held*, that there was no taking of property within the meaning of the fifth amendment.

Stone, Sand, and Gravel Company v. United States. (234 U. S. 270.)

This case involved the measure of damages for the breach of a contract for certain excavation work in the harbor of Vicksburg, Miss. Failing to begin active operations at the time stipulated, the Government annulled the contract, relet the same, and sued for the excess cost in completing the work. *Held*, under the terms of the contract the Government was limited to liquidated damages only, namely, such money or retained percentages as were in its hands at the time of annulment.

United States v. Sandoval. (231 U. S. 28.)

The power of Congress to prohibit the introduction of intoxicating liquors into the lands of the Pueblo Indians in New Mexico was the vital question involved, and was sustained by the Supreme Court. It was held that these Pueblos are a distinctly dependent Indian people, requiring the guardianship and protection of the Federal Government, and that such legislation is a legitimate exercise of congressional power under the Constitution.

Washington Securities Co. v. United States. (234 U. S. 76.)

Suit for the cancellation of a number of patents to land issued under the homestead law. Finding true the charge that the patents had been fraudulently obtained by representations that the lands were agricultural when in fact they were known at the time to be valuable coal lands, the court entered a decree for the Government. This decision was affirmed.

United States v. Buffalo Pitts Company. (234 U. S. 228.)

The liability of the Government under the fifth amendment for the rental value of property used by it was the sole issue here. The Government was declared liable for the use by it in the prosecution of certain work on a reclamation project of an engine belonging to defendant in error under a chattel mortgage.

United States v. United Engineering and Contracting Company. (234 U. S. 236.)

Suit in the Court of Claims to recover a certain amount deducted by the Government as liquidated damages for delay in completing

within a specified time a pumping plant at one of its dry docks. The court found the facts to be such as to limit the Government to actual damages and permitted a recovery. The Supreme Court affirmed.

Florida East Coast Railway Company v. United States. (234 U. S. 167.)

The decision of the Commerce Court sustaining an order of the Interstate Commerce Commission reducing the rates on citrus fruits and vegetables from southern Florida to points in the North was reversed because of want of evidence to support the order.

United States v. Baltimore & Ohio Railroad Company. (231 U. S. 274.)

Here the court declared legal and as being a just compensation under the interstate commerce act for services performed and instrumentalities furnished a certain allowance by appellees to Arbuckle Bros. for the maintenance and operation of a public freight station on the latter's premises within the so-called lighterage limits of New York Harbor, under agreement with the former, and for the lighterage of all freight between such station and appellee's termini at Jersey City.

United States v. Davis. (231 U. S. 183.)

This case involved the sufficiency of an indictment which charged the making of false and fraudulent affidavits in violation of section 5421, Revised Statutes, now section 29 of the Criminal Code, the question being whether or not the statute embraced the class of documents charged or only such as were forged or counterfeited. The statute was held sufficiently comprehensive to include the former.

Eastern Extension, Australasia and China Telegraph Company, Limited, v. United States. (231 U. S. 326.)

This case arose in the Court of Claims. Appellant, acting under concessions from Spain, constructed and operated several submarine telegraph cable lines between Hong Kong and points in the Philippine Islands. By virtue of succession to sovereignty it was insisted that the United States became successor to all the rights, privileges, etc., and assumed all the obligations, conditions, etc., under the terms of the concessions, and hence was liable for the payment of the annual subsidy provided for therein. The Supreme Court held that in so far as the claim was based on a treaty stipulation the Court of Claims was without jurisdiction, but that it might rest on an implied contract; and it accordingly remanded the case for further proceedings without passing on its merits.

Missouri, Kansas & Texas Railway Company of Texas v. United States. (231 U. S. 112.)

This was a suit to recover a penalty for violating the so-called hours-of-service act of 1907. The court held that when several employees are kept on duty beyond the specified time of 16 hours by reason of the same delay of a train, a separate penalty is incurred for the detention of each employee instead of one penalty for all, the wrongful act being the detention of the employee and not the delay of the train.

Stratton's Independence, Limited, v. Howbert, Collector of Internal Revenue. (231 U. S. 399.)

This case decided (1) that the corporation tax law of 1909 applies to mining corporations, (2) that the proceeds of ores mined are "income" within the meaning of that law, and (3) that such corporations are not entitled, at least under the facts certified in the present case, to deduct the value of the ore in place and before it is mined as "depreciation" within the meaning of the act.

Weeks v. United States. (232 U. S. 383.)

This was an indictment and conviction for using the mails in the promotion of a lottery scheme. At the trial the Government put in evidence certain letters and papers of the accused which had been taken from his premises, in his absence, without any search warrant. *Held*, that this was violative of his rights under the fourth amendment to the Constitution.

Summers v. United States. (231 U. S. 92.)

The validity of the indictment, found in the District Court for Alaska and charging 56 separate violations of the national banking laws, was challenged in this case upon the ground that under the Alaskan Criminal Code but one crime could be charged. Both the trial court and the Circuit Court of Appeals held that this provision of the Alaskan code was inapplicable, and that section 1024 of the Revised Statutes, which permits the joinder of offenses, governed. The Supreme Court reversed.

United States v. Regan. (232 U. S. 37.)

An action by the Government under section 5 of the immigration act of 1907 to recover the penalty prescribed for a violation of section 4 of the act. The question was as to the measure of proof essential to a recovery, that is, whether the rule applicable in criminal or in civil cases governed. The rule in civil cases was held controlling.

United States v. Whitridge, Receiver of the Third Avenue Railroad Company. United States v. Joline and Robinson, Receivers of the Metropolitan Street Railway Company. (231 U. S. 144.)

An insolvent corporation, operated by a receiver duly appointed by a court of equity, is not "doing business" within the meaning of the corporation tax enactment of August 5, 1909, and hence is not obliged to make the return provided for by the statute. The Supreme Court so held in the above-entitled cases.

The Pipe Line Cases. (234 U. S. 548.)

There were six of these cases before the court. They involved the construction and constitutionality of that amendment in the Hepburn Act of 1906 to the act to regulate commerce which declares that "the provisions of this act shall apply to any corporation or any person or persons engaged in the transportation of oil or other commodity, except water and except natural or artificial gas, by means of pipe lines, or partly by pipe lines and partly by railroad, or partly by pipe lines and partly by water. * * * who shall be considered and held to be common carriers within the meaning and purpose of this act." The Government took the view that the amendment, properly construed, applied to all oil-carrying pipe lines engaged in interstate commerce and required them, as a condition to further continuance in that commerce, to act as common carriers, subject to the Interstate Commerce Commission; and that as so construed, it was a constitutional exercise of the Federal power to regulate commerce. The court held that the pipe line companies involved were common carriers and subject to the act.

Eastern States Retail Lumber Dealers' Association v. United States. McBride, Individually and as President of the Retail Lumbermen's Association of Philadelphia, v. The United States. (234 U. S. 600.)

Appellants and others, lumber associations (and officers) composed principally of retail lumber dealers in the Middle Atlantic and New England States, entered into an arrangement or conspiracy whereby it was sought to prevent wholesale lumber dealers from selling directly to consumers. The object, of course, was the control of the local retail trade. A so-called official report or blacklist containing the names of wholesalers who made direct sales to consumers, and other confidential information, was kept and was systematically circulated among the members of the various associations, who would thereafter withhold their patronage from the wholesalers. It was held that the circulation of the report had a tendency to unreasonably restrain trade, and thus came within the prohibitions of the Sherman law.

United States of America v. Lexington Mill & Elevator Company. (232 U. S. 399.)

The "Bleached Flour Case," so-called. Question involved: Whether as a result of bleaching flour with nitrogen peroxide gas the same had been adulterated within the meaning of that provision of the food and drugs act which declares that an article shall be deemed to be adulterated "if it contains any added poisonous or other added deleterious ingredient which may render such article injurious to health." The proofs as to the effect of the bleaching were conflicting. *Held*, the addition of a poisonous substance does not constitute an offense unless it is such as may render the food injurious to health, and that in order to make out a case, it is incumbent upon the Government to establish that fact. Because of an erroneous instruction by the trial court on this point the case was sent back for a new trial.

United States v. Beatty. (232 U. S. 463.)

This was a writ of error to review a judgment of the Circuit Court of Appeals for the Fourth Circuit, holding that a condemnation proceeding for the acquisition of lands for public use is a suit at common law within the meaning of the seventh amendment to the Constitution, and remanding the case for a trial by jury. The court dismissed the writ as prematurely sued out.

Houston, East and West Texas Railway Company v. United States. Texas and Pacific Railway Company v. United States. (234 U. S. 342.)

That the Interstate Commerce Commission has the power to deal with discriminations resulting from a relation between interstate and intrastate rates was the important decision here. The decision was based upon the principle that Congress in the exercise of its paramount power under the commerce clause of the Constitution must lay down the final and dominant rule in such a case; otherwise the Nation would not be supreme within the national field.

Kansas City Southern Railway Company v. United States of America and the Interstate Commerce Commission. (231 U. S. 423.)

The validity of the regulations of the Interstate Commerce Commission with reference to the method of keeping accounts of common carriers was here involved and sustained. Appellant made extensive grade revisions on its line, building a number of sections of new roadbed and abandoning, at the same time, the old portions of the tracks. Under the Commission's system of accounting the company was not permitted to carry the full cost of the improvements into its property or capital account, but only the difference between such cost and the cost or replacement value of the abandoned

portions of the tracks, while the cost or replacement value of the abandoned property it was required to charge to operating expenses. Numerous objections going to the validity of the regulations were urged, none of which, however, the court sustained.

Pennington v. United States. (231 U. S. 631.)

The so-called back pay and bounty provision in the sundry civil appropriation act of 1907, which relates to certain claims arising out of the military service, directs that the accounting officers in certifying claims and stating balances shall follow the decisions of the Supreme Court and the Court of Claims without regard to former settlements. Held that this does not confer a new cause of action upon the holders of other claims adversely ruled upon prior to the passage of the act.

United States v. Buchanan. (232 U. S. 72.)

Land covered by a homestead claim after entry and before patent is no longer public land within the meaning of the act which makes it a punishable offense to prevent "any person from peaceably entering upon or establishing a settlement or residence on any tract of public lands subject to settlement or entry under the public-land laws of the United States." The right of the homesteader or his heirs, after entry, is in the nature of private property, and the protection thereof is properly left to State law.

Atchison, Topeka & Santa Fe Railway Company v. United States. (232 U. S. 199.)

The court here upheld the right of the Interstate Commerce Commission to fix a reasonable price to be charged by appellants, common carriers, for services, principally precooling and hauling, in connection with the transportation of oranges from California to points east. The question as to who is entitled to do the icing prior to shipment, carrier or shipper—one of the chief points in controversy—was held to depend upon the circumstances of each case; that is, whether a part of the preparation usually done by the shipper or a part of the refrigeration which the carrier had the exclusive right to furnish. Held the shippers had the right in this case.

Thurston v. United States. (232 U. S. 469.)

This was a claim under the Indian depredation act for property alleged to have been taken by Ute Indians. It was decided against appellant because of her failure to meet certain statutory requirements.

Perrin v. United States. (232 U. S. 478.)

Conviction for the unlawful sale of intoxicating liquors upon ceded lands formerly included in the Yankton Sioux Indian Reservation, S. Dak., sustained. This, notwithstanding the fact that practically all of the lands had since been disposed of under homestead and town site laws and passed into private ownership. The decision was based on the supreme power of Congress over the subject, arising in part from the Constitution and in part from the recognized relation of tribal Indians to the Federal Government.

United States v. Young. (232 U. S. 155.)

Young was indicted under section 215 of the Criminal Code for use of the mails in furtherance of a scheme to defraud. A demurrer was sustained upon the ground, among others, that the indictment failed to allege that the scheme devised was to be executed by the use of the mails and that such intended use was a part of the scheme. This decision was reversed.

Itow and Fushimi v. United States. (233 U. S. 581.)

This was a writ of error to review a judgment of the District Court of Alaska in a capital case. The writ was dismissed for want of jurisdiction.

United States v. Carter. (231 U. S. 492.)

The quashing by the trial court of an indictment because "bad in law" is a ruling which does not reasonably involve the construction of the statute upon which the indictment is founded, and hence no writ of error will lie under the Criminal Appeals Act to review such decision.

United States v. Birdsall. United States v. Brents. United States v. Van Wert. (233 U. S. 223.)

These cases decided that the giving of a gift to and acceptance thereof by a special Interior Department official engaged in suppressing the liquor traffic in Indian country, to influence his recommendations, constitutes bribery; and this, notwithstanding the fact that the necessity for making the recommendations is governed by departmental regulation instead of by statute.

United States v. Moist. (231 U. S. 701.)

This was a writ of error by the United States under the Criminal Appeals Act, which was dismissed for want of jurisdiction, there being nothing in the record to show that the judgment of the lower court sustaining a demurrer to the indictment turned upon a construction of the statute.

Apapas v. United States. (233 U. S. 587.)

This was a writ of error to review a judgment of conviction in a criminal case, Southern District of California, which was dismissed for want of jurisdiction.

United States v. Pelican. (232 U. S. 442.)

The jurisdiction of the district court over crimes committed on the Colville Indian Reservation, Wash., which was challenged upon the ground that the lands had been restored to the public domain and so were no longer "Indian country," was sustained in this case.

Johnson v. Gearlds. (234 U. S. 422.)

The principal question was whether the provision in the Minnesota Chippewa Indian treaty of 1855, prohibiting the manufacture and introduction of liquor in the Indian country "within the entire boundaries of the country herein ceded to the United States, until otherwise provided by Congress," was still in force, or whether it had been either expressly or impliedly repealed by anything contained in (1) the Minnesota enabling act, (2) the act admitting the State into the Union, or (3) subsequent treaties. The matter came to an issue through the attempted enforcement of the above provision by Federal officers in Bemidji, a city located in territory originally ceded by the Indians to the United States, but afterwards set apart as a reservation and later receded to the United States. It was held that the provision was still in force, unaffected by subsequent legislation or treaties. A petition by appellees for a rehearing was denied.

The Tap Line Cases. (234 U. S. 1.)

The cases presented the question whether or not appellee railroad companies are bona fide common carriers. Appellees, so-called "tap lines" in the yellow-pine districts of Arkansas and neighboring States, are for the most part logging roads engaged principally in transporting logs to the sawmills of the lumber companies and the lumber from the mills to connecting trunk-line carriers. The interests of the lumber companies and the railroads are practically identical. The latter have a very meager equipment, and the nonproprietary freight carried by them is insignificant, amounting to from 1 to 2 per cent. The Interstate Commerce Commission held that they were mere plant facilities and, among other things, forbade allowances to them by trunk-line carriers on through freight. The Supreme Court, however, declared them common carriers, chiefly upon the following grounds: Incorporation under State laws, with right of eminent domain; recognition by the State as common carriers; and the right of the public to demand the service of the railroads.

United States and Interstate Commerce Commission v. Butler County Railroad Company. (234 U. S. 29.)

This case was argued with and decided upon the authority of the "Tap Line Cases" (234 U. S. 1). The Interstate Commerce Commission held that appellee was a common carrier, and accordingly permitted it to share in the joint rates. In doing so, however, it made a distinction between proprietary and nonproprietary traffic. This, the court declared, could not lawfully be done.

United States v. Foster. (233 U. S. 515.)

Here the court upheld the sufficiency of an indictment, reversing the court below, which charged Foster, a postmaster, and others, with conspiring, among other things, to defraud the United States through the sale by Foster and the purchase on the part of the other defendants of large quantities of stamps for use in mailing matter at other post offices, the object being to secure an increase in Foster's salary.

United States v. First National Bank of Detroit, Minnesota. United States v. Nichols-Chisholm Lumber Company. United States v. Nichols-Chisholm Lumber Company. (234 U. S. 245.)

The validity of certain conveyances made by Chippewa Indian allottees within the White Earth Indian Reservation, Minn., was here involved. Suits were instituted by the United States for the annulment of the conveyances upon the ground that the allottees were not "mixed bloods" within the true intent and meaning of the statute which removed the restrictions theretofore existing against alienation by "adult 'mixed blood' Indians." It was held, however, that an Indian who has an identifiable mixture of other than Indian blood, however small, is a "mixed blood" Indian; and the validity of the conveyances was accordingly sustained.

Lane, Secretary of the Interior, v. Watts. (234 U. S. 525.)

This case, which involved the title to something like 100,000 acres of nonmineral lands in New Mexico, decided that after title has passed by location of a grant, with the approval of the proper officers of the Land Department, it can not be subsequently divested by their successors in office because of want of compliance with some of the provisions of the granting act.

OTHER COURTS.

1. Court of Claims.

Below is a brief summary of the report of the Assistant Attorney General in charge of the defense of suits in the Court of Claims and

suits against the Government prosecuted in the district courts of the United States:

Total amount involved in claims disposed of during the year, French spoliation cases excepted	$74,266,050.67
Total amount awarded claimants, French spoliation cases excepted	$635,563.76
Amount awarded the United States on counterclaims interposed in 5 cases	$78,250.40
Total amount claimed in cases filed during the year, exclusive of petitions in which no amount is stated and including reinstated Indian depredation cases	$14,441,191.01
Number of briefs prepared during the year	976
Contested cases disposed of during the year	1,717
Number of cases dismissed for want of prosecution	5,706
Total number of cases disposed of during the year	7,423
Total number of cases filed during the year	431
Total number of cases pending, including subnumbered claims	11,908
Approximate amount involved in pending cases	$90,175,140.34

The foregoing totals cover all classes of cases of which the Court of Claims has jurisdiction, namely (1) general jurisdiction cases, including those under special acts of Congress, (2) Chinese indemnity cases, (3) departmental, (4) congressional, (5) Indian depredation, (6) French spoliation.

The several classes of cases here referred to will be discussed under their separate headings. In addition, reference will be made to those cases in the United States district courts and the Supreme Court of the United States over which this bureau has supervision.

GENERAL JURISDICTION CASES.

General jurisdiction cases are those in which claimants sue directly in the Court of Claims under the general jurisdictional act, and the court's judgments, subject to appeals to the Supreme Court, are final. They find their origin largely in the numerous contracts made by all departments of the Government, and arise by reason of contracts for the building of battleships, cruisers, and other vessels; the erection of public buildings; dredging and improvement of rivers and harbors; the building and maintenance of dams, locks, and sea walls; contracts for Army supplies; contracts with mail contractors and railroad companies for carrying mails; construction of dry docks; the alleged use and infringement of patented devices and suits wherein it is contended that an implied contract exists; contracts arising through the activities of the Reclamation Service. A large amount of litigation involves the construction of statutes affecting the pay of the Army and Navy and civil employees of the Government, the reimbursement of disbursing officers for United States funds lost without negligence, cases referred to the court by special acts of Congress relating to dealings with the Indians, and so-called

"cotton claims" filed under section 162 of the judiciary act approved March 3, 1911.

Under contracts of the Navy for the building of battleships, cruisers, etc., the amount claimed in pending suits is, approximately, $10,000,000; the dry-dock litigation approximates $2,400,000; patent suits in the neighborhood of $8,500,000; suits growing out of the improvement of rivers and harbors involve several million dollars.

There are approximately 1,000 pending suits to recover the proceeds of cotton taken and sold by the United States authorities after June 1, 1865, amounting to some $4,700,000, and being theoretically in the United States Treasury. Three test cases have been selected for trial and will be heard shortly by the court, the decisions in which will determine all questions of law involved in this litigation.

Cases disposed of during the year (not including "divisor" claims)	2,342
Contested cases	865
Dismissed for want of prosecution	1,477
Amount claimed in cases disposed of (not including "divisor" claims)	$27,559,531.28
Amount recovered by claimants	$306,083.83
Cases filed during the year	316
Approximate amount claimed in them	$14,142,284.61
Cases now pending, exclusive of subnumbered petitions	2,072

CHINESE INDEMNITY CASES.

These are claims growing out of the so-called "Boxer outbreak" in China in the year 1900, which were referred to the Court of Claims for adjudication by joint resolution No. 29, approved May 25, 1908 (35 Stat. L., 577).

All claims before the court have been disposed of and judgments aggregating the sum of $810,188.21 rendered by the court and paid by the Secretary of the Treasury out of the Chinese indemnity fund.

As provided by said joint resolution, the Secretary of State has been informed that the matter is closed so far as it concerns the Court of Claims, and that there is remaining in the Treasury Department an unexpended balance of $1,175,835.64, "to be returned to the Chinese Government in such manner as the Secretary of State shall decide."

DEPARTMENTAL CASES.

Departmental cases involve questions referred by the heads of the various executive departments, under the act of March 3, 1883 (ch. 116, 1 Supp. R. S., 403), wherein they desire opinions of the court for their information and guidance.

Under this jurisdiction 17 cases, involving $67,375, were heard. In 12 cases, claiming $55,185, findings were entered in favor of

claimants for $19,793, and in 5 cases, involving $12,190, there were findings favorable to defendants.

During the year 1 claim has been referred to the court under this classification, and there are now pending 47 such cases.

CONGRESSIONAL CASES.

Congressional cases are before the court by reference of Congress under the acts of March 3, 1883, and March 3, 1887, commonly known as the Bowman and Tucker Acts, and authority of section 151 of the Judicial Code of March 3, 1911. In these cases the court does not render judgment, but makes findings and reports the same to Congress. In addition to the large number of so-called Civil War claims, there are many others referred for findings where the claimants can not bring action under that provision which authorizes the court to render judgment.

Cases disposed of during the year	2,018
Contested cases	225
Dismissed for want of prosecution	1,793
Amount claimed in cases disposed of	$14,572,583.89
Amount recovered by claimants	$265,147.93
Cases filed during the year	3
Approximate amount claimed in them	$15,000
Cases now pending, exclusive of subnumbered petitions	1,337

INDIAN DEPREDATION CASES.

Indian depredation cases are those brought under the jurisdictional act of March 3, 1891 (26 Stat. L., 851), in which claims are made for property of citizens of the United States taken or destroyed by Indians belonging to any band, tribe, or nation in amity with the United States.

Cases disposed of during the year	556
Contested cases	411
Dismissed for want of prosecution	145
Amount claimed in cases disposed of	$2,066,560.50
Amount recovered by claimants	$44,539.00
Cases reinstated during the year	111
Amount claimed in them	$283,906.40
Cases now pending	259

The work in the field is progressing satisfactorily, and it is expected will be completed shortly. Every effort is being made to dispose of the cases remaining on the docket during the coming term of the court.

FRENCH SPOLIATION.

Under the act of January 20, 1885 (23 Stat. L., 283), jurisdiction was conferred upon the Court of Claims to hear and report to Congress its findings and conclusions in the claims of such citizens of the

United States, or their legal representatives, as had valid claims to indemnity upon the French Government arising out of illegal captures, detentions, seizures, condemnations, and confiscations prior to the ratification of the convention between the United States and the French Republic concluded on the 30th day of September, 1800.

Number of cases disposed of during the year	2,490
Contested cases	199
Dismissed for want of prosecution	2,291
In favor of the United States	2,448
In favor of claimants	42

The amount involved in cases wherein the Government prevailed can not be ascertained because few petitions state any specific amount. The amounts found by the court in favor of claimants are determined from the evidence presented in the respective cases.

Aggregate amount found for claimants	$120,921.84
Number of cases pending	386
There has been certified to Congress	$6,626,597.52
Leaving uncertified (including amounts found for claimants in cases pending on motions for new trial)	$207,802.70
Amount of claims certified to Congress	$6,626,597.52
Amount appropriated by Congress	$3,950,452.26
Unappropriated	$2,676,145.26

UNITED STATES DISTRICT COURTS.

This bureau is charged with the general supervision of the defense of suits brought against the Government in the various district courts of the United States under the act entitled "An act to provide for the bringing of suits against the Government of the United States" (1 Supp. R. S., 559), as amended by the Judicial Code of March 3, 1911 (36 Stat. L., 1087).

During the year 11 suits were brought in the district courts throughout the United States, involving in the aggregate the sum of $43,263.79.

Under this jurisdiction six cases went to judgment during the fiscal year. In satisfaction of one of these Congress at its last session appropriated the sum of $1,228.60, and for judgments rendered in prior years the sum of $11,251.45. Three cases have been dismissed and five stand on error or appeal to the Supreme Court of the United States.

Since the jurisdiction was created 1,651 suits have been brought against the Government, of which 142 are now pending in the district courts.

APPEALS TO THE SUPREME COURT FROM THE COURT OF CLAIMS.

During the past year nine cases appealed from the Court of Claims were presented in the Supreme Court. Of this number seven were

appealed by claimants and two by the United States. Of the seven appeals by claimants, six were decided in favor of the Government and one against it. The two cases appealed by the Government were decided adversely. In the case of the Eastern Extension, Australasia & China Telegraph Company (Ltd.) *v.* The United States, being one of the seven appeals by claimants, the Supreme Court sustained the jurisdictional question raised by the Government on demurrer. The case was, however, remanded, with leave to claimant to amend its petition so as to state, if possible, a cause of action. Nothing has been done to this end, but the company is at this time urging the claim before the British Claims Commission.

There are now pending in the Supreme Court 24 cases appealed from the Court of Claims. Seventeen of these are appeals by the claimants in the court below, 5 by the United States, 1 cross-appeal by claimant, and 1 cross-appeal by the Government.

2. Customs Cases.

The report of the Assistant Attorney General in charge of customs may be summarized as follows:

The following table shows numerically in parallel columns the volume of litigation during the year in the court of customs appeals, as compared with others, since the establishment of that court:

	1910	1911	1912	1913	1914
Cases decided on argument:					
Won by the United States	106	133	132	116	99
Won by the importers	74	89	83	60	70
Total	180	222	215	176	169
Issues involved in the above cases decided on argument:					
Won by the United States	68	113	126	110	97
Won by the importers	46	75	71	55	65
Total	114	188	197	165	162
Percentage won by the United States	59.6	60.1	64.0	66.7	59.9
Cases decided without argument:					
Won by the United States	112	211	244	41	36
Won by the importers	158	28	49	30	44
Total	270	249	293	71	80

The above table presents the appellate work of the division; all appeals are from decisions of the Board of General Appraisers, which is the tribunal of first instance. A summary of the work there is appended, together with statistics of previous years since 1910.

	1910	1911	1912	1913	1914
Protests:					
Pending at beginning of year	95,220	116,087	170,855	146,153	105,731
Received	65,951	121,187	96,099	58,061	42,125
Decided	45,085	66,119	120,801	98,483	56,941
Pending at end of year	116,086	170,855	146,153	105,731	90,915
Suspended at end of year	83,490	51,524	9,256	26,334	28,500
Reappraisements (before single general appraisers):					
Pending at beginning of year	425	621	590	906	915
Received	3,451	4,506	5,796	4,869	4,686
Decided	3,285	4,537	5,480	4,860	4,602
Pending at end of year	621	590	906	915	999
Reappraisements (on appeal to boards):					
Pending at beginning of year	105	137	194	234	384
Received	1,020	1,525	1,710	1,691	1,530
Decided	988	1,468	1,670	1,541	1,641
Pending at end of year	137	194	234	384	273

3. Business Transacted in the United States District Courts.

Detailed statistics by districts will be given in the accompanying exhibits.

NUMBER OF CASES COMMENCED DURING THE YEAR.

Civil cases to which the United States was a party	4,142
Criminal prosecutions by the United States	18,399
Admiralty cases	1,879
Other suits to which the United States was not a party	10,267
Bankruptcy petitions filed	22,959
Total	57,646

COLLECTIONS, JUDGMENTS, FINES, ETC.

Collected by the United States in civil cases	$1,415,388.39
Collected by the United States in criminal prosecutions	567,982.58
Collected through the office of the Solicitor of the Treasury in compromise of claims not in suits	369,944.67
Total collected by the United States	2,353,315.64

MISCELLANEOUS.

Judgments for plaintiffs in admiralty cases	680
Judgments for defendants in admiralty cases	122
Judgments for plaintiffs in other cases to which the United States was not a party	3,279
Judgments for defendants in other cases to which the United States was not a party	1,081
Total liabilities in bankruptcy cases closed during the year	$244,721,826.29
Total assets realized in bankruptcy cases disposed of during the year	49,608,754.16

NUMBER OF CASES PENDING CLOSE OF JUNE 30, 1914.

Civil cases to which the United States was a party	22,622
Criminal prosecutions by the Untied States	9,513
Admiralty cases	5,670
Other cases to which the United States was not a party	44,454
Bankruptcy petitions	37,949
Total	120,208

T. W. GREGORY,
Attorney General.

REPORT

OF

THE POSTMASTER GENERAL.

NOVEMBER 13, 1914.

To the PRESIDENT:

The Postmaster General has the honor to present his annual report for the fiscal year ended June 30, 1914.

POSTAL FINANCES.

It is gratifying to report a second actual postal surplus under the present administration. The surplus for the year just ended amounts to approximately $3,600,000. Having shown a substantial surplus for two successive fiscal years, it can fairly be claimed that, for the first time since Benjamin Franklin organized the Postal Service under the Continental Congress, the Post Office Department has been securely placed upon a self-sustaining basis. It is safe to say that unless unusual conditions should arise, resulting in abnormal depression of business, there is no danger of recurring deficiencies in the Postal Service.

Rapid growth of the parcel post vastly increased postal business during the year. The department's field of service has expanded at a phenomenal rate; it is still expanding. Notwithstanding the decreases of parcel-post rates authorized January 1, 1914, economies of administration have kept expenses within the revenues.

Since submitting its last report the Post Office Department, as the result of its operation for the fiscal year 1913, has covered into the general fund of the Treasury $3,800,000. A sum nearly as large will be similarly deposited for the fiscal year 1914.

The postal revenues for the fiscal year ended June 30, 1914, as reported by the Auditor for the Post Office Department, amounted to $287,934,565.67, an increase over the preceding year of slightly less than 8 per cent, as compared with a corresponding increase of slightly more than 8 per cent for 1913. The audited expenditures for the year amounted to $283,543,769.16, and the adjusted losses due to fire, burglary, etc., to $14,333.46. The excess of audited revenues over audited expenses and losses is, therefore, $4,376,463.05.

This audited surplus does not, however, represent the actual financial results for the year. As pointed out in the last report of the Postmaster General, this method of computation is approximate. It involves comparison of amounts that are not properly comparable. It does not include obligations which were incurred but not paid within the year, while it does include some payments on account of obligations incurred in prior years. It is based upon the audited accounts of fiscal agents of the department, showing their actual receipts and expenditures during the year, together with accounts of postal creditors preaudited and certified for payment within the year. The revenues of the service are, with a few minor exceptions, collected in cash, and are attributable to the year in which collected. On the other hand, the expenses of the service can not be liquidated until various periods of time based on terms of employment and contractual relations have elapsed. A large part of those incurred in the last month or quarter of a given fiscal year are therefore not paid nor payable until the succeeding year.

The following statement shows what is believed to be a more correct result of financial administration for the fiscal year 1914. While it does not show the definite result for the year, which is not ascertainable until all claims are settled, it is not thought that the finally reckoning will materially differ. From the audited expenditures have been deducted the payments on account of previous years. To the amount remaining and properly chargeable to this year's operation have been added the estimated liabilities or obligations incurred or authorized within and for the current year, but unpaid at the close of the year.

Statement of revenues and expenses for the fiscal year 1914, based upon the reported revenues and the estimated expenses of the service for that year.

Reported revenues	$287,934,565.67	
Charges against revenues for losses due to fire, burglary, etc	14,333.46	
Net revenues		$287,920,232.21
Expenditures for general postal purposes, as reported by the Auditor for the Post Office Department	283,543,769.16	
Payments during fiscal year 1914 on account of preceding years	8,520,480.37	
Expenditures for the fiscal year 1914	275,023,288.79	
Estimated outstanding obligations as reported by officers of the Post Office Department	9,327,256.42	
Estimated expenses for the fiscal year 1914, paid and payable		284,350,545.21
Estimated surplus for the fiscal year 1914		3,569,687.00

Hence, on this basis, the revenues of the Postal Service for the fiscal year ended June 30, 1914, are found to exceed by $3,569,687 the expenses for maintenance during the same period.

While the announcement of an actual surplus establishes confidence in the fact that the service is being economically administered, and it is the aim of the administration to make the service self-sustaining as nearly as practicable, it must be borne in mind that this consideration is secondary to that of the convenience and benefit provided the public, which must be secured irrespective of the financial outlay required.

The surplus for the year just closed, though substantial in amount, necessarily represents an approximate adjustment of revenues and disbursements, made possible by economies in administration: compared with the volume of transactions, it is believed, therefore, that a recommendation for the reduction of postage rates or fees is not warranted at this time.

In considering the financial condition of the Postal Service certain other factors must be taken into account, as, for example, rental at a fair value of Federal buildings, fixtures, and equipment used wholly or in part for postal purposes, and the expenses incident to the conduct of the Post Office Department and the office of the Auditor for the Post Office Department, which are not now charged against the Postal Service. On the other hand, the department does not receive credit for the unrecompensed performance of functions such as the free transportation of franked and penalty mail and the handling of second-class mail matter under a virtual subsidy of more than $50,000,000 a year.

The last annual report announced a surplus in the postal revenues for that year. This now, after liquidating practically all claims incurred in that year and providing for those still outstanding, amounts to $3,895,502.20. The satisfactory condition of the departmental finances for that year, recurring in the year just closed, is in marked contrast to the financial results of many preceding years, in which the returns from the service were shown to be deficient in amounts ranging from a few million dollars to upward of $17,000,000. The last actual postal surplus prior to 1913 was announced by Postmaster General Gresham in 1883, when it was shown that the revenues exceeded the expenses by approximately $1,000,000. In the following year the rate of letter mail was reduced from 3 to 2 cents, and the accumulated profits of the previous year were immediately absorbed. A careful review of the annals of the department shows that not since the year 1836, when Amos Kendall was Postmaster General, has the postal establishment paid into the Treasury of the United States funds to be used for the general purposes of government.

It has been shown that the expenses of the department now amount to but little short of $300,000,000. While a large part of this sum is paid from the receipts of post offices for services performed there, it appears that about one-half is expended in the form of disbursements from the department and the designated disbursing post offices throughout the country. To collect and distribute this vast amount of money to meet the expenses of the department when and where payable is a task requiring constant care and watchfulness in order that no embarrassment to the service may arise. Any defect in the system by which these funds are collected and distributed, or in the application of it, can have but one result, namely, the necessity of setting apart from the general funds of the Treasury a vast sum as working capital. In the assignment of the various subjects of postal administration all those which pertain to the financial operations of the Postal Service are delegated to the supervision of the Third Assistant Postmaster General. This officer has so efficiently administered his duties that it has been unnecessary during the present administration to call upon the Treasury for advances of funds to meet temporary deficiencies in revenues. This accomplishment is unusual, since for many years previous it had been necessary to draw on the Treasury to meet temporary or permanent deficiencies.

GENERAL POLICY.

The general policy of the present administration of the Postal Service, as defined in the last annual report of the Postmaster General, has been adhered to with good results.

The service has been administered for the convenience of the public, not for profit; to promote efficiency by standardizing and simplifying procedure; to recognize merit and eliminate partisanship; to extend service wherever present or prospective returns justify; to reduce rates in so far as proves consistent with general fiscal necessity; and to provide all communities and all sections of the country, as far as practicable, with uniform service.

The fact that the Government exercises a monopoly over the receipt, transmission, and delivery of mail carries an obligation to perform this function for all its citizens; hence the Postal Service may not be operated wholly upon the lines of private enterprise. Whether or not service shall be granted or extensions authorized are questions which, as they arise in a particular case, should not be determined entirely with respect to revenue considerations. Yet it is equally the duty of the department to apply the mechanical and administrative economies which private business enterprise developes and which inventive genius from time to time offers. The maxi-

mum of service at the minimum of expense is the proper rule to govern public business. To that end excellent progress has been made during the last fiscal year in the Postal Service.

Consolidations within the department in Washington and certain field reorganizations, due allowance being made for the growth of postal business, have both reduced expenditures and improved the service. The two-division plan, which under the effective organization system of the First Assistant Postmaster General has been introduced, together with other improved methods, in a number of the larger post offices and is being extended to others as rapidly as possible, forcibly illustrates the good results which may be obtained in this way. Not only is a material economy effected, but the average postal employee's field of experience and scope of usefulness is expanded. This, together with other like changes, adds an elasticity to the service which formerly was lacking, makes it possible to shift personnel as conditions demand, and creates a larger body of widely experienced employees whence to draw in the future for the more responsible duties.

The universality of the Government's mail service should be the guaranty of its uniformity. Occasionally it is necessary to meet special conditions in a special way, but for the most part the needs of the service in the large cities, of the secondary cities, and of nearly all rural communities are substantially the same. Inequalities, many of which were found to exist at the outset of this administration, are being rapidly eliminated, and it is hoped that with the improvements already made and the realization of those in progress the service will have attained the highest standard of efficiency and provide the greatest benefit to the public.

EXTENSIONS.

The reports of the four Assistant Postmasters General, to which attention is invited, will show in detail all extensions and enlargements of the service which have been made during the last fiscal year.

PARCEL POST.

Marvelous growth and development marks the recent history of the parcel post. Although in operation less than two years, this service has expanded from an experimental facility of limited advantages into a universal transportation agency.

Periodical counts of parcels handled, tabulations of postage collected, and records of the costs of handling have been kept at all first and second class post offices and at representative offices of the third and fourth class. At the 50 offices having the largest postal receipts, representing approximately one-half of the postal business,

the number of parcels handled during the first 15 days of April, 1914, increased 146 per cent over the number handled during the first 15 days of October, 1913. The total for the 1913 fifteen-day period was 10,935,641, which for the 1914 fifteen-day period six months later became 26,884,940. The reports of the count for the first 15 days of October, 1914, show an increase over the first 15 days of April, 1914, in the number of parcels handled, of 10.9 per cent. The same count shows an increase of postage during the same period of 16 per cent and in the weight 21.3 per cent. The number of parcels handled at the fifty largest offices during the 15-day period of April, 1914, was 26,884,940, and the number reported for the 15-day period of October, 1914, was 29,599,599, showing an increase of 2,714,659 during the six months just elapsed. Unquestionably these increases must be ascribed in part to the change admitting books to the parcel rate; yet there was a marked increase in the number of other parcels shipped, as well as in postage collected and in weight. A portion of the increase was due also to the normal growth of the service, though the major part no doubt is the result of increases of weight limits and reductions of rates which became effective August 15, 1913, and January 1, 1914.

There is every reason to believe that the Postal Service is now handling more than 800,000,000 parcels annually. Statistics covering the first 15 days of October, 1914, show a material increase over the number of parcels handled in April of this year, notwithstanding the depressing effect of the European war. It was believed by the original advocates of a parcel post, as well as by the department, that possibly 300,000,000 parcels would be handled during the first year. The growth of the service has exceeded all expectations and is highly gratifying.

This increased volume of business has imposed upon the Postal Service many difficult problems in connection with the transportation and handling of mail. It has necessitated many improvements of equipment and changes in the method of handling parcels. These have successfully expedited parcel business without delaying other mail. During the holiday season of last year, although the volume of parcel mail increased at many offices from 200 to 500 per cent, deliveries were made more promptly than ever before. Preparations have been made to handle a much larger traffic this Christmas.

Careful investigation has shown that loss by damage to parcels has been reduced to seven one-hundredths of 1 per cent on C. O. D. and insured parcels, respectively. From actual count it has been found that the damage loss to ordinary parcels while in the mails is only one-tenth of 1 per cent of the entire number handled. Damage loss has been due to improper packing rather than to the method

of handling. Proper packing is essential to safe expressage of parcels containing perishable matter, and losses by damage run highest with this class of shipments. Through the press and otherwise the department at frequent intervals has issued instructions to the public outlining the best methods of packing.

Recently postmasters were authorized to hold exhibits at county, State, or other fairs. These served to demonstrate the approved methods of packing and to make known the numerous advantages of the service. Many of the exhibits showed resourcefulness and original thought on the part of the postmasters and employees who prepared and conducted them.

On July 1, 1913, the insurance fee was reduced from 10 cents to 5 cents on parcels valued at $25 or less and fixed at 10 cents when the value exceeded $25 but was less than $50. This action greatly stimulated the ordinary parcel traffic as well as the insured business and has met an important public need. During the last fiscal year more than 13,000,000 parcels were insured, or more than twice the number sent by registered mail before the establishment of the parcel post. The C. O. D. privilege, which for the first time provided a means whereby the sender of a parcel might have the price of the article shipped as well as the cost of transportation collected from the addressee on delivery, was also placed in effect on July 1, 1913. The utility of this feature is demonstrated by the fact that during the first year of its operation nearly 3,000,000 parcels, involving a total collection of over $14,500,000, were sent through the mails C. O. D.

The rates of postage and weight limit prescribed in the original parcel-post act were not such as would move the potential traffic, and for that reason much business was lost to the parcel post. So, in accordance with the authority vested in the Postmaster General, the consent of the Interstate Commerce Commission was requested for a material reduction in the rates and an increase in the weight limit from 11 to 20 pounds in the first and second zones. The request was granted, and this first increase of the original weight limit went into effect August 15, 1913.

A brief experience with the new weights convinced the department of the necessity for still other increases in the weight limits and for reduction in rates. The Interstate Commerce Commission then consented to an extension of the weight limit to 50 pounds in the first and second zones and to 20 pounds in the remaining zones; also to reductions in the rates of postage in the third, fourth, fifth, and sixth zones. These were put in effect on January 1, 1914, and the parcel post at once became available for the transportation of a vast quantity of merchandise formerly excluded, and was opened to farm products.

The latter change offered an opportunity to bring producer and consumer into closer touch. The department then believed and still believes that the parcel post, in time, will become an important factor in improving and cheapening the food supply of the great cities. Hence, on March 25, 1914, 12 of the larger post offices were designated for special test of a farm-to-city service. Farmers were invited to register their names and designate the commodities they desired to sell. Lists of farmers and of the articles each offered were then printed and distributed in the cities by the carrier force. The results exceeded expectations; shipments of country products at the 12 offices so materially increased that now 18 additional offices have been named for similar exploitation of the farm-to-city service.

The department's perliminary experience warrants the conclusion that direct shipment of food products that are consumed substantially in the same form in which they are produced offers practical possibilities of reducing the cost of living. The parcel post, in conjunction with the Rural Mail Service, provides the first adequate medium for such shipments. Considerable traffic has already been induced, but something remains to be done toward the fixation of prices and the standardization of products. Farmers who quote prices lower than the city market prices, as they should be able to do, have an opportunity for profitable and convenient marketing by parcel post. City consumers who get in touch with this class of farmers and impose reasonable requirements as to the grade of products furnished them obtain better quality at slightly lower prices. Rural shippers have only to adopt the ethics and business policy characteristic of commercial enterprise in order to start a flow of traffic that will both benefit the city purchaser and increase the profit of farm operations.

The public was greatly disappointed at the time the parcel-post law was enacted because books were not admitted. Many requests were received by the department from circulating libraries, schools, colleges, publishers, and dealers for the adoption of an amendment to the classification of fourth-class matter which would include books. Accordingly the consent of the Interstate Commerce Commission was obtained and an order issued, effective March 16, 1914, changing the classification of books from the third to the fourth class. Many libraries, educational institutions, and dealers are now using the mails to circulate books; their appreciation of the change is manifest by the numerous letters of approval received by the department. A law has also been enacted permitting the shipment of seeds, bulbs, etc., by parcel post. This change was not made by consent of the Interstate Commerce Commission, because the act creating the service specifically provided for their shipment at third-class rates.

In the last annual report mention was made of the discontinuance, on July 1, 1913, of the distinctive stamps that had caused confusion and annoyance to patrons in the early months of the new service. This change was approved by the public and has resulted in no inconvenience to the department.

Provision was made during the year whereby the sender of a parcel may attach a communication to it on condition that the necessary stamps to cover postage at the first-class rate are affixed to the envelope containing the communication. This permits simultaneous delivery of communication and parcel, which is often desirable or necessary.

The parcel post has opened up a new avenue of transportation for the shipment of game. However, cooperating with States and Territories in protecting wild animals and birds, a regulation has been adopted prohibiting the admission to the mails of parcels containing game killed or offered for shipment in violation of State or Territorial laws.

The regulations also have been recently modified to permit shippers to take advantage of the parcel post by sending in bulk by freight or express matter for mailing by individual pieces at a post office within the first or second zone from the offices of address. Such parcels as a rule otherwise would not enter the mails because of the higher zone rates applicable if mailed at the office where the business of the shipper is located.

Notwithstanding the marvelous growth of this service and the great benefit derived from it, it may be said that the parcel post is yet in some respects in the experimental stage, but the department will continue to make such improvements and extensions as may be found necessary and desirable from time to time.

The Postmaster General is charged with the duty of administering the parcel-post law in the interest of the public, and not as with private monopolies, for profit. A private monopoly has no incentive to extend facilities to unprofitable territory, but the Government must serve all the people. In fixing the rates and adopting regulations, it has been the policy not to superimpose any charge for taxation, but only to see to it as the law directs that the service as a whole is self-supporting. By adhering to these policies the parcel post, with the cooperation of the public, will be able to fulfill the economic mission designed for it by Congress.

POSTAL TELEGRAPHS AND TELEPHONES.

The Postmaster General renews the recommendation embodied in his last annual report that Congress seriously consider the question of declaring a Government monopoly over all utilities for the public

transmission of intelligence and that steps be taken as soon as practicable to incorporate into the postal establishment the telegraph and telephone systems of the country.

In that report reference was made to the anomalous condition in this country under which the telegraph and telephone utilities, being vehicles for the public transmission of intelligence, infringe upon a function reserved by the Constitution to the National Government. They inherently, as well as constitutionally, belong to the Postal Service. That it has been the policy of this Government to ultimately acquire and operate these electrical means of communication as postal facilities, as is done by all the principal nations, the United States alone excepted, is evidenced by the fact that the first telegraph line in this country was maintained and operated as a part of the Postal Service, and further by the act of July 24, 1866, which provided for the Government acquisition of the telegraph lines upon the payment of an appraised valuation; and again by the act of 1902, which directed the Postmaster General "to report to Congress the probable cost of connecting a telegraph and telephone system with the Postal Service by some feasible plan."

The data which the Postmaster General was engaged in reviewing when his last report was prepared has since been submitted to Congress in compliance with a Senate resolution and printed as a public document (S. Doc. No. 399.) The firm conviction of the department is here reiterated that telegraph and telephone service is inevitably monopolistic and, when operated under private control, does not render the maximum of public service at the minimum cost to the whole people.

It is an interesting fact that, whereas policies of government have been advocated and some adopted, the constitutionality of which have been seriously questioned, the principle of Government ownership and control of the telegraph and telephone finds its greatest strength in the Constitution. This opinion has been shared by practically all Postmasters General of the United States, who have held that the welfare and happiness of the Nation depend upon the fullest utilization of these agencies by the people, which can only be accomplished through Government ownership.

It is therefore recommended that early action be taken by Congress looking to the accomplishment of this end.

It is also recommended that the telegraph and telephone facilities of Alaska, Porto Rico, and the Hawaiian Islands be at once taken over and operated by the Post Office Department. This recommendation is based on an exhaustive investigation which disclosed that the conditions in these Territories are generally such as to favor the change. A large part of the property involved is already Government owned and operated in Alaska by the War Department and

in Porto Rico by the insular government. The services are so detached geographically as to preclude complicated relationships with neighboring systems and are yet sufficient in extent to afford valuable experimental demonstration for the Postal Service looking to the administration eventually of a complete national service. This action will have the effect of strengthening the National Government in its outlying Territories, and is especially recommended because of the expediency of taking over the private ownerships before elaborate and costly extensions and duplications of service have been built up.

The Secretary of War has suggested the transfer of the control of cable and telegraph service in Alaska to the Post Office Department. Anticipating favorable action by Congress, an item of $300,000 has been inserted in the department's estimates for the ensuing fiscal year to cover the expense involved in operating this and the insular services during the first year after their acquisition, and a tentative draft of a bill for effecting the transfer of ownership and authority is included in this report.

PROGRESS IN THE RAILWAY MAIL SERVICE.

The condition of the Railway Mail Service was satisfactory during the year, and the force handled the increased volume of mails in an efficient manner. The development of the railway post-office terminal system has continued, and its operation has rendered unnecessary large expenditures for railway post-office cars and railway postal clerks which would otherwise have been required. The general conditions of the service have been improved, hours of labor equalized, and much has been done toward making uniform the conduct of the service in its several divisions.

CONSTRUCTION OF RAILWAY POST-OFFICE CARS.

Gratifying progress has been made during the year towards securing stronger railway post-office cars. The provisions of the law respecting the construction and use of steel railway post-office cars have been rigidly adhered to. During the past year there were added to the service 155 all-steel cars and 11 steel-underframe cars. Of the 1,434 full railway post-office cars in use and in reserve at the close of the fiscal year, 67 per cent were either of all-steel or steel-underframe construction. Of apartment postal cars there was an increase last year of 251 all-steel and 81 steel-underframe construction.

TERMINAL RAILWAY POST OFFICES.

The development of the terminal railway post-office system has proceeded satisfactorily. Under the general policy being developed mails which can be handled in the terminals without material delay

are worked therein as far as practicable instead of on the railway post-office cars. This reduces car space and the number of railway postal clerks needed. Mails are being concentrated at points nearest to the offices of address in order that the intricate distribution of mails and consequent rehandling may be avoided. Labor-saving devices have been provided in the larger terminals to reduce the cost of handling. Furniture and equipment best suited to the necessities are being installed. The experience in the operation of the terminals has fully demonstrated their value to the Postal Service both in the expeditious handling of the mails and in economy to the department.

COMBINED SCREEN-WAGON AND CITY COLLECTION AND DELIVERY SERVICE.

In order to permit an experiment of combined regulation screen-wagon and city collection and delivery service by the use of Government-owned vehicles, Congress gave the requisite authority in the appropriation item for regulation screen or other wagon service for the fiscal year 1915. With a view of determining the practicability and advisability of such combined service so operated, investigations have been conducted at a number of cities, and an experiment has been authorized at Washington, D. C., the service becoming effective from October 1, 1914.

In the meantime it has been determined that in the issuance of the advertisement for wagon service for the third contract section, in which contracts expire June 30, 1915, in addition to the regular schedules for screen-wagon service there shall be included schedules and information inviting proposals for screen-wagon, collection, and delivery services combined under one contract where such combination is practicable and desirable; also for furnishing vehicles to be operated a specified number of hours a day under the direction of the respective postmasters, approved by the department, for the performance of screen-wagon, collection, and delivery service in such cases. It is expected that by this method proposals will be received upon the three different bases, and the department will be in a position to accept the most advantageous ones and to compare them with the cost of operating Government-owned vehicles where such is deemed practicable and desirable.

EXPERIMENTAL AUTOMOBILE SERVICE.

The experiments with Government-owned automobiles being carried on at certain post offices indicate that motor trucks owned and operated by the department render more economical and efficient service than those under contract, and it is believed that the extension of their use in connection with the Parcel Post Service is warranted.

INTERCHANGEABLE PERSONNEL.

In the last annual report of the Postmaster General, reference was made to the need for more effective utilization of the entire force of postal employees, and to this end an amendment of existing law was recommended, the purpose of which was to make possible the creation of an interchangeable personnel. Clerks in each post office should be so trained in uniform methods that their transfer to other post offices may be effected with the least possible detriment to the service; and they should also be readily transferable to the Railway Mail Service, where the experience they have gained would shorten the time required for training them. Space in railway post-office cars represents a large cost to the Government and it is not economical to recruit the force for those quarters entirely from untrained and inexperienced candidates. Efforts are being made to facilitate the appointment to positions of railway postal clerks of post-office clerks who desire to enter the Railway Mail Service. Uniform examination requirements for entrance to the two branches of the service may be provided so as to allow the forces to be interchangeable. There is, however, an obstacle to the effective development of this plan. Under the existing law clerks in post offices can be transferred to the Railway Mail Service only at the minimum salary of $900 per annum in that service. With this limitation it is impossible to secure from post offices the best clerks for the Railway Mail Service. The law should be amended so as to permit such transfers at salaries not exceeding in any case the salaries received in the post-office service, and such action by Congress is urged as being distinctly in the interest of better mail service.

COMPENSATION TO RAILROADS FOR CARRYING THE MAILS.

The department's officers have continued their inquiry into the general question of a proper basis for fixing compensation for the transportation of the mails by railroads. They filed briefs and submitted all available evidence to the joint committee of Congress, and submitted for consideration a bill embodying the views of the department. The joint committee not having made a report on March 4, 1914, as required by the law appointing it, a resolution was passed by Congress continuing the committee's powers and requiring a report by December 1, 1914. The representatives of the department continued their cooperation in every way. The great importance of an early report by the committee and of action by Congress changing the basis of pay adjustment before the adjournment of the recent session was earnestly urged by the department.

When it became evident that such report was not probable, the chairman of the Committee on the Post Office and Post Roads, House of Representatives, acting upon the views of the department as to basis and rates of adjustment most desirable and fair, introduced a bill embodying those conclusions on June 4, 1914. The House Committee on the Post Office and Post Roads favorably reported this bill to the House as a section of bill H. R. 17012, and it passed the House and is now pending before the Senate. Subsequently, on August 31, 1914, the joint committee made its report and submitted a form of recommended legislation, which was introduced in the Senate as bill S. 6405. The Senate Committee on Post Offices and Post Roads gave hearings to the representatives of the department on the House bill and to representatives of the railroad companies upon the provisions of the two bills, but has not yet made its report to the Senate.

The principal feature of the plan favored by the department involves substitution of a space basis for the existing weight basis of determining pay in all classes of railroad service, excepting closed-pouch service. This general contention was sustained by the joint committee, which embodied it in its suggested bill. The joint committee, however, applied the principle to all classes of railroad mail service.

The provisions of the two bills are similar in regard to the adoption of space instead of weight as a principal basis for adjusting compensation and in the adoption of standard-sized cars. They differ upon many other material points which, in the opinion of the department officials, render the House bill more scientific, more equitable, and much easier of administration. The principal differences between the two bills are these: The joint committee's bill fixes the rates absolutely, while the House bill follows the language of the present law and fixes rates at not exceeding those named in the statute, which leaves administrative discretion in adjusting them; and the rates fixed by the joint committee's bill are materially higher than those contemplated by the House bill, though, in the opinion of the officers of the department, the latter are very liberal and as high as the service will warrant.

The joint committee's bill provides that all service be paid for on a space basis, while the House bill provides that closed-pouch service continue to be paid for on a weight basis. The joint committee's bill provides that at the expiration of two years the carriers may apply to the Interstate Commerce Commission for a revision of rates, a stipulation not included in the House bill. The House bill has other desirable provisions not included in the joint committee's bill; these continue the present economical transportation of certain periodical matter in fast freight trains, which the joint committee's bill would

abolish, and provide for the ascertainment and application of other advantageous rates for the transportation of mail matter other than of the first class.

It is believed that the provisions of the House bill are the more desirable and that their enactment into law will conclude a long and vexatious controversy over railroad mail rates and inaugurate a plan of adjustment which will be entirely fair to the railroad companies and be most economical and advantageous in the administration of the Postal Service.

ADDITIONAL COMPENSATION FOR MAIL TRANSPORTATION ON ACCOUNT OF PARCEL POST.

The last annual report mentioned allowances of additional compensation to mail contractors for carrying parcel-post mail and defined the department's plans to reach an equitable basis for additional adjustments on account of changes of weights and rates. As far as possible these plans have been applied. Additional allowances have been authorized and a satisfactory solution of the issues involved apparently is near.

The additional compensation allowed to railroad companies whose routes were not weighed after January 1, 1913, under the authority of Congress authorizing an addition of not exceeding 5 per cent of the compensation then paid, aggregated $1,686,842.94 for the fiscal year 1914. It must be borne in mind that all routes weighed subsequent to January 1, 1913, received the rate of compensation fixed by the statute for the additional weights actually carried. The amount above stated does not include these readjustments.

Pursuant to the authority granted by Congress to readjust the compensation of star-route and screen-wagon contractors where it appeared that as a result of the parcel-post system the weight of mails handled by them was materially increased, additional compensation has been authorized for the fiscal year 1914 amounting to $120,903.27 for screen-wagon service and to approximately $750,000 for star-route service.

After the order effective August 15, 1913, had increased the weight limit from 11 to 20 pounds in the first and second zones, the department secured statistics from representative post offices and railway post offices and upon screen wagon and star routes for October, 1913. From these statistics it was ascertained that the increased weights caused by the changes warranted an additional allowance of one-half of 1 per cent of the annual rate of compensation to railroads on August 15, 1913, amounting to approximately $254,000 per annum, and a recommendation was made to Congress that legislation

be enacted authorizing this allowance and making the necessary appropriation. The suggested legislation was made a part of section 1 of H. R. 17042, which passed the House and is now before the Senate.

In April, 1914, after the order of December 18, 1913, had become effective, admitting books to the parcel post and increasing the weight limit to 20 pounds in all zones and to 50 pounds in the first and second zones, statistics similar to those secured in October, 1913, were again prepared. The information obtained led to the conclusion that a further increase of 1 per cent of the annual rate of compensation paid the railroads on January 1, 1914, approximately $500,000 per annum, was warranted, and recommendation to that effect was made to Congress. Consideration is being given the readjustment of compensation of screen-wagon and star-route contractors as the result of the increase in the weight of mails resulting from said order of December 18, 1913.

When the legislation respecting compensation for railroad mail pay on the space basis shall have been enacted, there will be no further necessity for special legislation to compensate railroads for carrying additional weights as the result of administrative orders affecting the parcel-post service. When the railroad service shall have been authorized and paid for on a space basis, excepting closed-pouch service, which should remain on a weight basis with annual weighings, all changes which may be the result of executive orders will be adequately compensated in the authorized service.

DIVISOR CASE.

The Court of Claims has rendered judgment in favor of the United States in the divisor cases brought by the railroads arising out of the Postmaster General's order No. 412 of date June 7, 1907, and has dismissed the claimant's petitions. This result is very gratifying as the claims involved aggregate many millions of dollars, and if valid would accumulate at the rate of approximately $5,000,000 a year. The practice of the department in applying the mathematically correct divisor in ascertaining the average daily weight of mails carried on railroad routes, the stanch defense of the same, and the active cooperation of the officers in charge of the service with the Department of Justice have been justified.

The order referred to prescribed that the whole number of days included in the weighing period shall be used as a divisor for obtaining the average weight of mails carried per day upon which the compensation paid to railroads for the carriage of the mails shall be based, and was first applied in the readjustment from July 1, 1907, and has been applied to all succeeding readjustments. The

saving to the Government by reason of the application of the provisions of this order, to and including the fiscal year of 1915, is estimated to be $35,000,000. The railroad companies generally objected to the application of order No. 412 and have protested the adjustments made under its provisions, and a number of them filed in the Court of Claims suits attacking its validity. The cases of the Chicago & Alton Railroad Co. and the Yazoo & Mississippi Valley Railroad Co. were heard by that court in the fall of 1912, and on June 2, 1913, judgment was rendered for the claimant in each case in sums representing the difference between the compensation received and the amount they would have received if order No. 412 had not been applied. The Government requested an amendment of the findings of fact filed by the court in the Chicago & Alton case, as well as a rehearing thereof, and the claimant company also requested an amendment to the findings of fact.

These motions were heard on May 18, 1914, by the court, which subsequently rendered a decision sustaining the legality of order No. 412 and dismissing the claimant's petition and filing new findings of fact. The claimant made application for appeal to the Supreme Court of the United States, which was allowed. Like proceedings were had in the Yazoo & Mississippi Valley Railroad case, and that company's application for appeal to the Supreme Court is pending in the Court of Claims, awaiting the determination by that court of a question regarding the findings of fact.

Special mention is due the Second Assistant Postmaster General for his vigilant care in safeguarding the interests of the department in the difficult situations arising from the controversies with these railroads and for his valuable assistance in defending the Government against the suits brought.

FOREIGN MAIL SERVICE.

The volume of mail dispatched to foreign countries during the fiscal year 1914 increased materially over that dispatched during the previous year.

Extensions and improvements were made in the parcel-post service with foreign countries. A parcel-post service with Greece was inaugurated on the 9th of May, 1914, and a convention was concluded with the Republic of Liberia, effective July 1, 1914. Desirable modifications were made in the parcel-post conventions with the Bahamas, Barbados, British Honduras, Ecuador, Jamaica, and the Leeward Islands. Since the close of the year a parcel-post convention has been concluded with the French colony of French Guiana, effective November 1, 1914.

Negotiations are in progress for conventions with Cuba, Argentina, China, Gibraltar, Portugal, Russia, Spain, and Switzerland

and the French colonies of the Society Islands and St. Pierre and Miquelon, with prospects of favorable results.

The steady increase from year to year in the number of parcels dispatched from this country in the international parcel-post service is gratifying evidence that it is supplying a needed facility, and that the advantages afforded are being utilized in an increasing degree by the people.

A proposal has been submitted to each of the 33 countries and colonies of the Western Hemisphere, with which we do not now have such conventions, for the conclusion of postal conventions providing that the United States domestic letter rate shall apply to letters from the United States for each of said countries and colonies and that the domestic letter rate of each of said countries and colonies shall apply to letters therefrom destined for the United States. Early consideration of the proposals has been requested, and it is hoped that by the end of the current fiscal year it will be possible to send a letter for 2 cents from the United States to any country in the Western Hemisphere and have the reply sent at the domestic rate of the country in which the reply is mailed.

Contract ocean mail service under the provisions of the ocean mail act of 1891 was in operation on five routes, namely, from New York to Puerto Cabello, Venezuela; from New York to Maracaibo, Venezuela; from New York to Vera Cruz, Mexico; from New York to Southampton, England; and from San Francisco to Sydney, Australia. All mails not carried under the ocean mail act are carried by noncontract vessels on the weight basis.

The total cost of the contract service for the fiscal year of 1914 was $1,089,361.83, and the net cost of the service performed was $55,155.51 less than it would have been if the steamers performing it had not been under contract and had conveyed the same mails and received pay on the weight basis. During the fiscal year 1913 the net excess cost of the contract service was $157,818.28, while for the fiscal year 1911 the item of excess cost is eliminated and a profit shown instead, the first time such a result has been accomplished in the more than 20 years that service has been in operation under the act of 1891. The economy thus effected is over $200,000.

Since the close of the fiscal year the war in Europe has caused some disarrangements in the trans-Atlantic service. However, all steamers available have been utilized for the dispatch of the mails. Notwithstanding the disturbed conditions, mails from the United States for each of the various European countries have been dispatched on an average of three or four times a week and so routed as not to require transit through any country at war with the country for which the mails are destined.

AERIAL MAIL SERVICE.

During the fiscal year 1914 permission was given in eight instances authorizing experimental aerial mail service. In view of the importance of developing this class of transportation, an item has been included in the 1916 estimates for $50,000 to provide for an experimental service. It is believed that there are sections of the country where, because of topographical conditions, this class of service might be advantageously employed.

MONEY-ORDER SYSTEM.

The year ended June 30, 1914, marked the close of the first half century of the operation of the postal money-order system. The value of this adjunct to the Postal Service and the continued confidence of the public in its operation is best exemplified by a statistical comparison.

At the close of the first year of its existence money-order facilities were available at 419 post offices; on June 30, 1914, they were available at 55,055 offices. During the first year of its existence 74,277 domestic money orders were issued aggregating in amount $1,360,122.52; during the year just closed 104,028,927 orders were issued, aggregating $667,231,064.95.

In keeping with the policy of the department to extend postal facilities to meet the needs of the public, recommendation was made in my last annual report for the enactment of legislation which would make possible the payment of postal money orders at any money-order office, instead of restricting their payment to the office named in the order as the office of payment. At its recent session Congress passed a bill which received the approval of the President on March 5, 1914, making possible the inauguration of this facility. In accordance with its provisions domestic money orders are now payable within the limits of continental United States, excepting Alaska, if issued within those limits, and if presented for payment within 30 days from the date of issue. The innovation became effective July 1, 1914, and the response from patrons of the service clearly indicates that the change has been of much benefit, particularly to the traveling public.

EXTENSION OF THE INTERNATIONAL MONEY-ORDER SERVICE.

In view of the demand for reciprocal money-order service with several of the important countries of South America, growing out of the imperative necessity for more economical and safe means for transmitting money through the mails, which will unquestionably

ensue as a result of the enlarged and increasingly intimate commercial relations between the countries of North and South America, incident to the completion of the Panama Canal, representations have been made to the postal administrations of all the countries of the Western Hemisphere, with which we have no such relations, suggesting the negotiation of appropriate conventions for the exchange of postal money orders. The department is now able to report that substantial progress has been made in that direction, and it is believed that before the end of this fiscal year these conventions will have been approved by the several countries affected and actually put into operation. This should greatly aid in developing our Latin-American trade relations, as well as in opening new markets for world trade, which have been made necessary since the closing of certain European markets because of the war.

Effective August 1, 1914, a new and uniform schedule of fees was adopted for international money orders drawn on countries with which business is conducted through exchange offices. The new schedule was compiled with a view to correcting inequalities in charges which previously obtained and which were the cause of many complaints. The new schedule went into effect coincident with the outbreak of the war in Europe. The world-wide disturbance in financial operations, and the practical abandonment of foreign-exchange transactions, resulting from the war, has made it necessary to restrict the issue of money orders on all European countries. The effect of the new schedule therefore can not be ascertained at this time.

POSTAL SAVINGS SYSTEM.

The fiscal year 1914 witnessed a steady, healthy, and substantial growth of the Postal Savings System. On June 30 the number of depositors was 388,511, and the amount on deposit to their credit was $43,444,271, a gain for the year of 57,505 depositors and $9,625,401 in deposits. The average principal per depositor increased from $102 to $111.82. Savings facilities were available at 9,639 post offices (of which 8,507 were of the presidential grade and 1,132 of the fourth class) and at 708 branches and stations, making a total of 10,347 depositories in operation.

Compared with the previous fiscal year there was a net decrease of 2,473 in the number of depositories. Aside from changes made necessary by the discontinuance and reclassification of post offices, the decrease is due to postal savings facilities having been withdrawn from small fourth-class offices at which no business developed. It is now the practice of the department to designate post offices as postal savings depositories only when a demand for the facility is shown by the residents of the community which the post office serves.

The proponents of the system, among other arguments advanced in support of the enactment of postal-savings legislation, asserted that it would encourage among the people the formation of habits of economy and thrift. On June 30, 1911, six months after the system began operation, there were 11,918 depositors, and the average balance was $56.82. At the close of each six months' period thereafter substantial increases in the number of depositors and the average balance are shown, until, on June 30, 1914, there were 388,511 depositors, and the average balance was $111.82. These facts afford conclusive proof that the practical operations of postal savings in this country have amply fulfilled the predictions of its advocates.

The returns of the system for the months of August and September show an unprecedented increase in the deposits for that period, a fact attributable largely to conditions caused by the war in Europe. Substantially all postal-savings deposits represent the hoarded savings of wage earners who have implicit confidence in the Government but will not patronize private savings institutions. This is found to be particularly true among foreign-born people, who constitute about 40 per cent of the patrons of the system and have more than half of the total deposits to their credit. It has heretofore been the custom of many foreign-born residents of the United States to remit their savings to the countries whence they came; often they would remit direct to the postal-savings banks maintained by these countries. European war conditions tended to stop this practice and to divert these savings to the American postal banks. Large sums, therefore, which otherwise would have gone abroad, were kept in this country and were returned to the active channels of trade.

The safety and security afforded by the postal savings depositories have been a source of strength and protection to our people in time of stress and the means of steadying financial conditions in the United States. Many foreign-born citizens who have patronized these institutions are resorting more freely to their use during the present European war crisis and will doubtless continue to do so even in larger measure when normal business conditions shall have been restored.

Evidence is conclusive, however, that the postal savings facility would have served a greater usefulness and would have been the means of restoring a much larger amount of money to business uses were it not for the provisions of the law which limit the amount that may be accepted from a depositor to $100 in a calendar month and restrict his maximum deposit to $500. The inability of a prospective patron to deposit all his accumulated savings results in confusion of thought which frequently leads to a refusal to deposit any part of them. Such funds invariably go back into hiding and disuse. The precautionary limitations of the law were no doubt inserted be-

cause the service was new in this country and, in a sense, experimental. While it is believed that the interest of the public will be best served by ultimately removing altogether the restrictions on the amount that may be accepted on deposit, it is manifest that this condition should be approached gradually and as experience in administering the system indicates that additional steps may be taken toward the desired goal. It is recommended, therefore, that the provision in the postal savings act which limits the amount that may be accepted from a depositor in a calendar month to $100 be removed, and that the maximum balance which may be accepted be increased, under certain conditions, to $2,000, but limiting the amount on which interest shall be paid to $1,000. Suggested legislation covering the foregoing recommendation will be found on page 78 of this report.

FRANKING PRIVILEGE.

The requirements of the law governing the franking privilege were, in the main, observed during the year by those entitled to that privilege, the use of the privilege being confined, except in a few instances, to the transmission of such matter as was sent in the course of the discharge of official duties, and the occasional abuse being due rather to a misconception of the nature and extent of the privilege.

While a few instances arise from time to time in which the frank is used to send matter partaking of the nature of both an official and personal character, yet by far the greatest misuse of the privilege results from the transmission under frank, as public documents or as parts of the Congressional Record, documents which have been changed or added to and are circulated for political purposes. The use of the frank in mailing such matter may cause a loss to the Government of thousands of dollars in postage. In a single instance recently investigated by the department there were circulated under frank more than 300,000 pamphlets devoted to the interests of one of the country's great industries, on which postage amounting to $57,600 should have been paid. The abuse of the privilege in this instance was so palpable that steps have been taken to collect the lawful postage. The enactment of legislation designed to prevent abuses of the franking privilege, such as is now pending before Congress in the printing bill, will go far toward confining that privilege to its legitimate function.

STAMP SALES.

The growth and development of the Postal Service is forcefully illustrated by the increased issues of postage stamps, stamped envelopes, and postal cards by the department to its postmasters, aggregating the stupendous total of $263,436,165.18. The sales by

postmasters to the public amounted to $258,400,482.38, for the first time in the history of the department exceeding the quarter of a billion mark. The increase of stamp sales in 1914 over 1913 amounted to $18,406,964.26.

To provide additional denominations needed for parcel-post mail five new postage stamps (7, 9, 12, 20, and 30 cent) have been issued. The new 12-cent stamp is also a convenience to the public in the mailing of registered and special-delivery letters, the great proportion of which require 2 cents postage and 10 cents registry or special-delivery fee.

USE OF PRECANCELED STAMPS.

The use of precanceled stamps has proven so advantageous to the department, as well as to senders of large quantities of mail, that the restrictions applicable thereto have been greatly modified. These stamps are canceled in bulk by printing on them between two black horizontal lines the name of the post office at which they are to be used. A clerk during the ordinary working day will cancel on an average the stamps of about 5,000 parcels. As more than 800,000,000 pieces of fourth-class mail alone are now handled, the saving to the department by the use of precanceled stamps is very apparent. Their use also saves one complete handling of the mail, thereby greatly expediting its dispatch and delivery. The movement of parcels during the Christmas holidays last year was greatly facilitated by suspending a number of restrictions applicable to precanceled stamps and demonstrated in a forceful manner their advantages to the public and the service.

ACCEPTANCE OF MATTER FOR MAILING WITHOUT STAMPS AFFIXED.

The law provides for the acceptance of matter of the third and fourth classes in quantities of not less than 2,000 identical pieces for mailing without stamps affixed, the postage being collected in money. This method of prepaying postage has proven highly advantageous both to the public and the Postal Service. It relieves mailers from the labor and expense of affixing and the Postal Service from canceling the stamps on such matter. This not only effects a material economy, but expedites the dispatch and delivery of mail. It has been found from experience that mailings without stamps affixed, in smaller quantities than the minimum prescribed by existing law, can be handled to the mutual advantage of the Postal Service and the mailer. It is therefore believed that the number of pieces which may be so accepted should be reduced to 500 for third-class matter and to 250 for fourth-class matter, and provision made for accepting, in lots of at least 500 pieces, second-class matter mailed at the special rates of 1 cent and 2 cents a copy. A recommendation for legislation covering the foregoing features will be found on page 77 of this report.

SECOND-CLASS MATTER.

During the fiscal year 1914 the mailings of newspapers and periodicals as second class matter at the cent-a-pound rate and free in county of publication aggregated 1,088,686,120 pounds, an increase of 31,078,608 pounds, or 2.94 per cent, over the mailings of the previous year. The fact that the drain on the postal revenues resulting from handling and transporting second-class matter at noncompensatory rates is constantly becoming heavier emphasizes the necessity of taking some step in the direction of readjusting the rates on second-class mail.

In my last annual report the hope was expressed that Congress would amend the existing laws and raise the rate on second-class matter in accordance with the recommendation of the commission created in 1911 under a joint resolution of Congress to investigate the subject, which found the cost of handling and transporting second-class matter, exclusive of certain expenditures concerning which exact information was not at hand, to be approximately 6 cents a pound, and recommended that the postage rate thereon be increased from 1 cent a pound to 2 cents a pound. The report of the commission was transmitted by the President to Congress on February 22, 1912, with a recommendation for favorable action. In order to renew attention to the matter, the department in January last addressed a letter to the joint committee of Congress before which the question of proper rates of postage on second-class matter has been pending for more than two years, in which it was recommended, as the initial step in the direction of a readjustment of the postage rates on second-class matter on the basis of the cost of handling and transporting it, that the rate on publications issued less frequently than weekly, and on weekly publications other than newspapers, be increased from 1 cent a pound to 2 cents a pound, leaving for future determination an additional increase if same should be found necessary or desirable.

The distinction made between newspapers issued as frequently as once a week and other publications is believed to be in accord with the long established policy of Congress. An examination of postal legislation shows that from the date of the initial act of February 20, 1792, prescribing postage rates for newspapers, until the enactment of the present law governing second-class matter lower rates have been accorded newspapers than other publications. In pursuing this policy Congress apparently took into consideration the character of the publications thus favored and their function as disseminators of information pertaining to the happenings of the day commonly referred to as news. Further reason why the readjustment of postage rates on second-class matter should begin

with publications other than newspapers is found in the greater length of the average haul of such publications and the consequent greater cost of their transportation.

Up to the present time the joint committee has made no report or recommendation on the subject. As pointed out in my last report, until some such action shall be taken to readjust rates on second-class matter no serious consideration can be given to plans for revising and reducing rates on first-class mail.

NATIONAL AID IN ROAD CONSTRUCTION.

During the year the problem of properly expending the appropriation provided by Congress for the improvement of post roads has been most carefully considered by the department. As stated in my last annual report, an attempt was made at the outset to allot the appropriation of $500,000 for this purpose in equal amounts among the several States, but this plan failed practically in its entirety, as very few of the States were prepared or seemed to be in a position to meet the prescribed requirements. It therefore became necessary to revise the original plan of distribution and, accordingly, in April, 1913, it was determined to allot the appropriation to sections of the country where different soil, climatic, and topographic conditions prevailed, where the supplies of material and labor differed, and where, through the agency of well-organized highway commissions, the States were ready and willing to participate in this cooperative work. Under this latter plan the following amounts have been tentatively allotted to the States indicated, in some of which the work of road construction is practically completed and in others well under way:

State.	Amount.	State.	Amount.
Alabama	$10,000	Iowa	$40,000
Maryland	14,400	Oregon	10,000
Tennessee	20,800	Kentucky	13,100
Maine	65,000	Mississippi	50,000
North Carolina	34,000	Ohio	120,000
South Carolina	9,600	Texas	75,580
Virginia	39,500		

At an early date it is expected that the economic data required by act of Congress in connection with each of these projects will be available. This information should be of great value to Congress as a basis on which to predicate any future legislation on the subject of Federal aid in road construction. The department's experience has been sufficient, however, to make it apparent that any legislation that may be enacted in this regard should prescribe that the State shall

be the unit with which the Federal Government shall cooperate and that each State so participating shall contribute at least double the amount set aside by the Federal Government. It is further believed that the allotment of the joint fund thus created should be made only on projects approved by State highway commissions and the Post Office Department, and that all actual construction work, including the expenditure of the joint fund, should be made under the direction of the Secretary of Agriculture. In selecting the State as the unit with which to cooperate for the distribution of any Federal appropriation, consideration should be given to its area, the mileage of roads within the State, and the rural population residing therein, in order to secure equal and exact justice to each State that participates in the cooperative undertaking.

This subject, always of great importance, has assumed far greater significance, so far as this department is concerned, since the establishment and subsequent development of the Parcel Post System. In the absence of railroad facilities, improved highways are an essential prerequisite in any movement having for its purpose any considerable development and acceleration of traffic between the cities and the rural districts. Good roads will undoubtedly add more than any other one factor to accomplish this end. It is quite apparent, however, that this whole matter of cooperative road improvement is one that should be approached purely from the standpoint of business economy, and expenditures should not be authorized unless adequate return is assured.

RURAL MAIL SERVICE.

New Rural Delivery Service during the past year has been extended to considerably more than half a million people. Nearly 900 rural routes, with an aggregate length of over 20,000 miles, were established.

The additional demands upon the service imposed by the transmission of farm products and a larger bulk of merchandise through the mails have been met. The rural carrier force has also been of assistance both in village delivery and in making parcel deliveries at offices of the second class during the holiday season.

The letting of star-route contracts on a basis of slower schedules at pound rates for the heavier and bulkier classes of mail has been the means of assuring to the department in the fourth contract or Far West section alone a saving that will amount to not less than $500,000.

COST OF RURAL DELIVERY AND COLLECTION SERVICE.

The importance and value of the Rural Mail Service is unquestioned. It improves the condition of farm life, tends to check the movement of the rural population to the congested urban communities, and is therefore a recognized economic necessity for the best

interest and development of the entire country. The inauguration of this service and its rapid extension have been justified on the ground of public policy. However, I deem it my duty to direct the attention of Congress to the fact that this service is entailing upon the Public Treasury an annual expense of $40,000,000 in excess of the revenues produced by the service.

The methods employed in providing these necessary and desirable facilities have been subjected by me to a rigid examination with a view to ascertaining whether an equally satisfactory rural service can not be provided at a less cost. House-to-house delivery and collection of mail in rural districts is now provided in two ways—first, by letting contracts to the lowest responsible bidders for specified performance over certain routes between post offices, and second, by employing carriers at salaries fixed by law. The contract method is known as "star-route" service, the other method as Rural Delivery Service. "Star-route" service is designed primarily for the transportation of mail between post offices and can not under existing law be extended to routes other than those leading from one post office to another or from a post office to a railroad station or steamboat landing; hence the route traveled by the "star-route" carrier is determined not by the density and distribution of population in rural districts, but by the location of post offices. Rural Delivery Service, on the contrary, is designed primarily for the house-to-house delivery and collection of mail and is used only incidentally in some instances for the transportation of mail in closed pouches between post offices. The cost of the service on the "star routes" averages 9.96 cents per mile traveled, compared with 14.77 cents per mile for the Rural Delivery Service, a difference in favor of the "star-route" service of 4.81 cents per mile. Applied to the entire rural service, this would make possible a saving of from $15,000,000 to $20,000,000 annually. Furthermore, as shown elsewhere in this report, the annual cost of Rural Delivery Service is increasing rapidly.

In the light of the experience gained it is easy now to see that it would have been better in 1896, when Rural Free Delivery Service was established by law, to have enlarged the function of the "star-route" service, which at that time was employed only for transporting mail between post offices, so that it might have been extended to all the territory now served by rural delivery carriers. This was recognized in 1899 by changing advertisements for "star routes" so as to provide for box-delivery and collection service. From a digest of numerous replies to inquiries made by the department in 1902 it was found that the service was generally satisfactory to the people who were availing themselves of it. This system of box-delivery and collection service in connection with "star routes" has now been extended to practically all of the 12,000 "star routes" in existence. All that is necessary to make "star-route" service as satisfactory to

the patrons as rural delivery service is to provide by law that "star-route" carriers may, under proper safeguards, sell stamps and accept applications for money orders, and that "star routes" may be extended in the same manner as rural delivery routes.

The system of rural mail delivery in Canada, where conditions most nearly resemble our own, is on a contract basis. Advertisements are issued for carrying the mails on the routes, but no bids in excess of $30 a mile are accepted. A special compensation of one dollar for each box erected on a route is also allowed. The annual report of the Postmaster General of Canada states that during the fiscal year ended March 31, 1913, 600 new routes were established and that the service is entirely satisfactory and very popular.

As increases in compensation to rural-delivery carriers from time to time have been made, letters of protest have been received from rural patrons urging that the revenues of the service should not be absorbed by way of gratuity to employees beyond what their services are fairly worth, but that these revenues should be utilized toward giving better postal facilities at decreased cost.

Since the last increase, made without recommendation from the department, hundreds of letters have been received from rural patrons throughout the country urging that a different plan be adopted for the performance of this service, insisting that great economy could be effected by the adoption of a different system, and suggesting how the money saved could be expended for the betterment of the service. Some call attention to the fact that it might be used for the improvement of roads; others that the patrons of the rural service might receive a reduction in the rate of transporting farm products through the parcel post through this saving; others that a reduction in letter postage to a 1-cent basis be brought about; others that new rural routes be established for the benefit of those now denied this beneficial service. One individual has proposed to collect and deliver all mail matter on the rural routes of the country for $10,000,000 less than the present cost, offering adequate security for carrying out the contract in such a manner as to provide service equally satisfactory to the patrons as the present service.

There can be no question as to the one outstanding, self-evident fact that the identical service to rural-mail patrons can be maintained at this time with a saving of from $15,000,000 to $20,000,000 per annum, and it is earnestly recommended that the necessary legislation for placing all Rural Delivery Service on a contract basis be enacted in order that the people may receive the maximum return for the minimum expenditure of their money.

In carrying into effect the proposed plan to place rural delivery upon the contract basis, having as its first consideration an efficient

and economically administered service and the improvement over existing conditions, to be effected by the change, it is the purpose of the Department to avoid entering into any contract which will destroy legitimate, individual competition.

PAY OF RURAL-DELIVERY CARRIERS.

The Rural Delivery Service was established in 1896. In that year the pay of the carrier was $300 per annum, and on June 30, 1897, the number of patrons served was 44,280. The expenditure for the fiscal year 1897 was $14,840, and the cost per patron served during the portion of the fiscal year in which service was in operation was $0.34. The cost of the service had on November 1, 1914, reached the enormous sum of $50,210,000 per annum. The increase in cost since the fiscal year 1897 has been 338,242 per cent. The increase in patrons has been 53,337 per cent. The increase in cost per patron has been 524 per cent.

Comparing the increased benefits to the public living on rural routes through the extension of the routes with the increased pay of employees serving these routes, it will be seen that in 1905 there was an increase of 7,544 routes, but an increase in carriers' salaries of $8,219,610 over the previous year. In 1908 there was an increase of only 1,549 routes, but an increase in carriers' salaries of $7,710,384. In 1912 there was an increase of only 543 routes, but an increase in carriers' salaries of $4,733,792. In 1913 there was an increase of only 606 routes, but an increase in carriers' salaries of $3,783,344. On July 1, 1914, the maximum salary was increased to $1,200, and from July 1 to November 1, 1914, inclusive, there was an increase of 123 routes and an increase in carriers' salaries of $1,902,375.

How the cost of the service has increased over the benefits to the public is strikingly disclosed by the following table:

Fiscal year.	Cost of service.	Number of patrons.	Cost per patron.	Carrier's salary.
1897	$14,840	44,280	$0.34	$300
1898	50,241	82,620	0.61	400
1900	420,433	679,860	0.62	500
1902	4,089,041	4,480,920	0.91	600
1904	12,645,275	13,265,640	0.95	720
1908	34,371,939	21,209,580	1.62	900
1911	37,125,630	22,494,240	1.65	900
1912	41,859,422	22,787,460	1.84	1,000
1913	45,642,766	23,114,700	1.97	1,100
1914	47,377,070	23,572,080	2.01	1,100
1915	50,210,000	23,638,500	2.12	1,200

Many unjust discriminations under the existing system of compensating rural carriers were disclosed by recent reports collected by the department showing the length of route, number of pieces and

weight of mail carried, type of vehicles used, nature of roads traveled, and the number of hours required to collect and deliver the mail on different routes throughout the country. These reports made plain the necessity for establishing a fair and equitable basis of fixing the compensation of these employees. It is shown, for instance, that on a large number of daily routes of 8½ to 12 hours each, more than 20,000 pieces and more than 2,500 pounds of mail are handled by the carriers each month, whereas on other daily routes of from 3 to 6 hours' service and of equal length less than 3,000 pieces of less than 500 pounds were handled monthly. The compensation to the carriers was the same in each instance. In addition to these inequalities, the greater loads were transported frequently over mountainous and difficult highways in the Western and Northwestern States, where transportation facilities are limited and where the highways are of an inferior type, while the majority of the lighter loads were transported in the East, South, and Middle West, where better roads and weather conditions prevail. Following the collection of these reports, the department undertook to correct this condition so far as possible by administrative action. It is held that the rate of pay of rural carriers should be reasonable and just as between the carrier who renders a light and easy service and the carrier who renders an arduous and difficult service.

The contention by some persons that, regardless of the differences in service rendered, all salaries of rural carriers are too low will not stand the test of the statistics regarding the demand and competition for the places to which the salaries are attached. Even before the last increase in compensation an average of 10 applicants hastened to qualify for every vacancy that occurred in the Rural Delivery Service. Still more significant is the fact that many persons in other branches of the Postal Service are continually applying for transfer to the Rural Delivery Service, thus establishing the fact that compensation in the Rural Delivery Service is not only adequate but that it is relatively higher than that received by other postal employees.

In 1896, when free delivery was inaugurated, the personnel engaged in such delivery received a uniform compensation of $300 per annum. Since then the maximum salary has been increased almost regularly by Congress, as follows:

	Per annum.
In 1898 to	$400
In 1900 to	500
In 1902 to	600
In 1904 to	720
In 1907 to	900
In 1911 to	1,000
In 1912 to	1,100
In 1914 to	1,200

In the administration of this legislation the mileage factor had from the beginning constituted the sole unit basis of compensation, and the variance in the quality and quantity of actual work performed by the carriers did not enter into the determination of their salaries. In order, therefore, that consideration should be given to the actual service rendered, and that the maximum compensation should be paid only in case of the maximum performance, a readjustment of carriers' salaries was computed upon an equitable basis, which is in strict conformance to the law, which reads as follows:

* * * *Provided*, That on and after July first, nineteen hundred and fourteen, letter carriers of the Rural Delivery Service shall receive a salary not exceeding $1,200 per annum.

The Postmaster General's order carrying out this enactment reads:

On and after November 1, 1914, the compensation of rural carriers shall be based upon the length of the routes, the time required to serve them in accordance with the authorized official schedules, and the number of pieces and the weight of mail carried, as shown by the records of the department.

The rates of pay shall be computed and fixed according to the following schedule:

Schedule.

	Salary base.	Pieces of mail per month.	Pounds of mail per month.
4 miles and less than 6 miles	$480	3,000	400
6 miles and less than 8 miles	528	3,700	490
8 miles and less than 10 miles	576	4,400	580
10 miles and less than 12 miles	624	5,100	670
12 miles and less than 14 miles	672	5,800	760
14 miles and less than 16 miles	720	6,500	850
16 miles and less than 18 miles	840	7,200	940
18 miles and less than 20 miles	960	7,900	1,030
20 miles and less than 22 miles	1,080	8,600	1,120
22 miles and less than 24 miles	1,152	9,300	1,210
24 miles and over	1,200	10,000	1,300

An increase or decrease of $12 per annum shall be made for each 1,000 pieces and for each 100 pounds, respectively, greater or less than the schedule, with an allowance of $12 per annum for each closed pouch or closed sack of mail carried per day, and also for each full mile of route served in excess of 25 miles in length: *Provided*, That no carrier shall be reduced in compensation below the schedule in effect June 30, 1914, because of this order, and that $1,200 per annum shall be the maximum salary.

A carrier serving one triweekly route shall be paid on the basis and subject to the above conditions for a route one-half the length of the route served by him, and a carrier serving two triweekly routes shall be paid on the basis and subject to the above conditions for a route one-half the combined length of the two routes.

In addition to the foregoing, the following are hereby established as the official time bases for serving routes, and shall begin with the time of leaving and end with the time of return to the office or station:

Time bases.

Length of routes	Time base.
24 miles and over	6½ hours a day
22 miles and less than 24 miles	6 hours a day
20 miles and less than 22 miles	5½ hours a day
18 miles and less than 20 miles	5 hours a day
16 miles and less than 18 miles	4½ hours a day
14 miles and less than 16 miles	4 hours a day
12 miles and less than 14 miles	3½ hours a day
10 miles and less than 12 miles	3 hours a day
8 miles and less than 10 miles	2½ hours a day
6 miles and less than 8 miles	2 hours a day
4 miles and less than 6 miles	1½ hours a day

When under the present or future schedules as fixed by the department additional time is required to serve any route, the carrier shall be entitled to $12 per annum for each one-half hour thus authorized in excess of that named in the time base.

The compensation of carriers on newly established routes shall be at the rates in effect June 30, 1914.

In fixing this standard every item that enters into operation has received attention with the exception of the differing highway conditions which might be considered. Yet when road conditions are bad the number of hours necessary to cover the tour of duty is increased and vice versa on good roads. Therefore in the allowance for additional hours we indirectly meet this possible condition.

By this order the department has endeavored to give substantial recognition to all the factors that enter into the transportation of mail matter on rural routes. It may be possible that the allowance or the unit of measurement may be inaccurate in some small degree. This can be corrected only as the facts develop. Yet the fundamental truth is apparent that in the foregoing table the principle of equity is established—the employee who does the work receives the compensation in proportion to service rendered—and only in this manner can any just and permanent solution as to proper compensation be secured under the present system and rate of pay.

VILLAGE DELIVERY SERVICE.

In pursuance of a provision contained in the Postal Service appropriation act for the fiscal year ended June 30, 1913, experiments have been conducted in the free delivery of mail from post offices of the second and third classes located in communities that are not now entitled by law to city delivery service. At the close of the fiscal year the service was in operation in 124 villages. Of these 22 were offices of the second class and 102 were offices of the

third class. A total of 164 carriers were employed with an average annual compensation of $600.

There is no such need or demand for free delivery of mail in small towns and villages as there is in cities and rural districts, and its establishment does not occasion any appreciable increase in the use of the mails. For this reason an economical administration of such a service requires that it be inaugurated only where it is necessary to meet the needs of a particular locality.

The department is endeavoring to work out a feasible plan to coordinate the village delivery with the Rural Delivery Service. As rural routes emanate from practically all of the communities where this village delivery service would be desired, it is believed the carriers should be used to make such deliveries as may be desirable and feasible to the residents of the communities affected. With this change these carriers could be used not only to supplement the general delivery service as indicated, but in many instances in the delivery of parcel-post matter as well, thus obviating the necessity for additional horse hire for the delivery of the larger packages.

The use of the village delivery service has not extended far enough to determine definitely its practical and economic value to the entire service. Efforts will be made through the utilization of the rural delivery, as already stated, and otherwise to perfect and extend this service in proportion to the benefits to accrue therefrom.

EFFICIENCY IN EQUIPMENT.

In connection with postal improvements, both in the department and the field services, attention is invited to the benefits to accrue from the intelligent utilization of up-to-date methods of handling work. Recently investigations have been made by the department into the question of applying labor-saving mechanical devices to the work of the several bureaus where practicable. Tests have been made in one bureau which have indicated a saving of about 20 per cent on the particular work to which applied, and introduction of the mechanical devices in that bureau has been authorized.

ECONOMIES IN EQUIPMENT AND SUPPLIES.

The several mechanical branches of the department have been consolidated and placed under one supervision in the Bureau of the Fourth Assistant Postmaster General, whose thorough, businesslike management has made possible a more effective and economical administration of affairs affecting postal equipment and opens the way to greater improvement and standardization with reference to the actual needs of the service. Better facilities are provided for

expert inspection of labor-saving devices in use, as well as such new devices as may come under consideration from time to time.

In the early part of this fiscal year the first fairly accurate inventory of many articles of postal equipment was secured without additional cost to the department, and 3,549,489 sacks, pouches, locks, and other pieces of mail equipment were located and again placed in use.

The introduction of a cost-keeping system, a perpetual inventory, and improved methods of accounting have brought about a more efficient check on expenditures, as well as a more intelligent supervision generally of the purchase and distribution of supplies.

Substantial savings have been accomplished through the adoption of new types of equipment and improved devices of various kinds. The use of canvas instead of leather satchels and pouches, together with the use of a superior, much lighter, and cheaper mail lock, will result in important economies.

Modern sanitary measures have been adopted and placed in operation in the workrooms and have done much for the health and comfort of the employees, whose working conditions have been greatly bettered. Practical progress has been made for cleaner and more sanitary mail bags by the introduction of bag-cleaning machines, the importance of which innovation to the health of the thousands of employees who handle mail bags can not be overestimated.

The development of the system of shipping supplies by freight instead of by mail on the long haul has been carried to the point where the department will save approximately $450,000 per annum. This economy has been augmented by the further extension of the method of direct shipment of supplies from factory to postmaster.

The gradual displacement of rented canceling machines by those owned by the Government is under way and its accomplishment will result in a pronounced economy of expenditure for machines of this character. Therefore, to continue and extend this service, provision has been made in the estimates of appropriation for the postal service for the next fiscal year.

UNDELIVERABLE MAIL MATTER.

On March 4, 1913, over 10 tons of undelivered mail awaited treatment. This immense accumulation has been disposed of, and 65 employees now do work which formerly required 166. Reorganization of the former Dead Letter Office has accomplished both a reduction of over $100,000 in cost of personnel and a large saving in cost of transportation.

Postmasters are now required to return direct all prepaid undeliverable foreign mail. Other classes of matter heretofore sent to

the department are forwarded by postmasters to 15 distributing post offices in various sections of the country for disposition. Thousands of unimportant communications that under former practices would have been bandied back and forth between the department and numerous cities, without possibility either of delivery to addresses or of securing their return to the writers, are now disposed of without entailing waste of time, effort, or money.

The present plan of conducting the so-called dead-letter sale has proved more satisfactory than the old. The ethical objections to the latter have been removed with the elimination of the lottery and gambling features attaching to the sale by auction to the public of unknown merchandise in closed parcels. Under the current regulations unclaimed articles posted in the mails which by law become the property of the Government are prepared in large lots at less expense for sale at selected points in the United States to dealers in such commodities, who are permitted to inspect them before purchase. The financial results seem not to have been adversely affected, as the net proceeds of the several sales during the year were $12,324.87, or $4,135.87 more than for the previous fiscal year, an increase of over 55 per cent. The development of the parcel post materially enlarged the quantity of matter to be sold; but, even so, the returns have been encouraging.

PURCHASES.

A number of important improvements have been made in the method of effecting purchases for the Postal Service, which have resulted in substantial economies and in the prompt consummation of these transactions.

For several years past the General Supply Committee has made contracts for nearly all Postal Service supplies. Recently decisions by the Comptroller of the Treasury, however, have held that field services are not properly under the law creating the General Supply Committee and that general supply contractors are therefore not compelled to fill orders for such field services. It was therefore decided that the Post Office Department should make its own contracts for supplies for the Postal Service. The change has resulted in an economy of practically $15,000 annually, post-office prices being lower on every class of supplies placed under contract, and in some cases the quality of goods has been improved.

In addition to the saving above noted, an economy of practically $17,000 a year has been effected in the purchase of postal-card paper and of more than $8,000 on special supplies as compared with previous fiscal years, which, with other items, results in a total saving made in the purchasing agent's office of more than $45,000.

Some features of the printing bill now pending before the Congress as regards the proposed authority to be vested in the Joint Committee on Printing are believed to be incompatible with efficient and economic administration of the purchase of supplies. Experience has demonstrated that printed blanks and forms may frequently be procured cheaper and more expeditiously through commercial channels than from the Government Printing Office. To be compelled to obtain all such supplies through the Joint Committee on Printing would eliminate competition and result in many cases in higher prices, would give to the Public Printer arbitrary power in the superintendence of departmental work, and tend to increase further attendant delays in deliveries. From four to six weeks' time and longer is now required by the Government Printing Office to deliver work, and should quicker time be desirable a charge of 20 per cent extra is made. In these circumstances it is believed unwise from an administrative and economic viewpoint for the Joint Committee on Printing, a legislative body, to make contracts for all printing for the executive departments. It is also highly desirable for the Post Office Department to retain control of the purchase and inspection of postal cards, stamped envelopes, money orders, postal savings certificates, and other similar supplies.

INSPECTION SERVICE.

The past year has been one of the busiest in the history of the inspection service, and a large and rapidly increasing volume of work has been dispatched with gratifying success. Readjustments of the personnel have greatly improved the service and enabled it to meet new demands imposed upon it by reason of recent expansions of the postal business.

Besides being a potent corrective force in the postal organization, the work of the new inspection service has been especially noticeable in the effective assistance recently rendered the legal officers of the Government in protecting the public against the fraudulent use of the mails. Through the aid of the inspection force it has been possible to learn the needs of the service, both with regard to economy and efficiency, and from this source to gather important information upon which disciplinary and constructive policies of the department are based.

The inspection service has been utilized to material advantage in conjunction with the departmental committees that have made the investigations which have resulted in the reorganization of some of the larger post offices. Especially has the efficiency of the service been promoted through the classification of fourth-class postmasters, in the accomplishment of which the work of the inspection service in establishing registers of eligibles for appointment of postmasters

at offices of the fourth class has, when considered in connection with the Executive order of May 7, 1913, requiring civil-service examinations at certain offices of the fourth class, resulted in materially enhancing the standard of efficiency at these smaller offices, and therefore contributed to the improvement of the entire service, although entailing additional labor upon the inspection force, there having been 18,735 cases of this character. The volume and importance of the inspection service may best be shown by inviting attention to the fact that during the past fiscal year 364,000 cases were disposed of, including the 18,735 cases to which reference has been made, and 34,000 complaints concerning schemes to defraud, in addition to the routine inspections of post offices. The increase for the fiscal year 1914 over that of 1913 in the number of convictions on the charge of using the mails in furtherance of schemes to defraud presents a gratifying illustration of the progress the department has made in the direction of relieving the commercial world and the general public of the baneful influences exerted by these fraudulent enterprises. From the reports submitted by the inspectors covering cases in which arrests were made during the year ended June 30, 1914, it is estimated that the promoters of these fraudulent schemes obtained approximately $68,000,000.

ENFORCEMENT OF FRAUD STATUTES.

This administration has insisted upon vigorous enforcement of the statutes providing for the issuance of fraud orders. Under the prior postal administration these salutary laws had fallen into disuse. In consequence a new lease of life had been taken on by numerous concerns and individuals who used the mails for the conduct of schemes to defraud.

Efforts to suppress swindles of this character by criminal prosecution only had been ineffective. The delays incident to such prosecutions, and the fact that, when successful, the penalty imposed was frequently merely a fine which the promoters could well afford to pay, militated materially against their effectiveness. The experience of a year in the renewed enforcement of these statutes has demonstrated clearly that the discontinuance of action under them was followed by a large increase in the number of concerns and individuals taking advantage of the postal establishment to defraud the public. The lax law enforcement also encouraged the widening the scope of operations of some who had theretofore been deterred from extending their business by fear of an abrupt termination of the schemes by the issuance of fraud orders with a consequent loss of the capital invested.

Hence the department has had to deal with enterprises of unusual growth, and fraud orders have been issued against a large

number of concerns and individuals. Every opportunity has been extended to those accused to make full and complete answer to the charges, and the evidence in each case has had careful and impartial consideration. The increase in the work of the department resulting from the enforcement of these statutes is shown by the fact that, while for the fiscal year ended June 30, 1913, only three fraud orders were issued against concerns and individuals using the domestic mails to defraud, 45 such orders were issued during the fiscal year ended June 30, 1914.

The action of the department in this connection has been questioned by court proceedings in but one case. In this an injunction was asked in the United States district court, at Chicago, to restrain the postmaster from carrying out the provisions of the fraud order. A temporary restraining order was granted, but upon argument the temporary injunction was denied, and the action of the department sustained. From this decision an appeal was taken, but was later dismissed upon the motion of the appellants.

The evidence in one of the cases in which a fraud order was issued showed that the amount of money obtained by the company from the public in one year was $350,000. In many instances nothing whatever of value was returned for the money. In none was the return that which the purchaser was induced to believe he was to receive.

The schemes suppressed have been of various kinds. Perhaps the most noteworthy progress has been made in the suppression of swindlers in which alleged remedies for various ailments were sold at prices far exceeding their true value by misrepresentations as to their character and effect. In exploiting remedies of this character advertising matter is usually so worded as to frighten ignorant people into believing harmless aches and pains to be symptoms of serious disease. Undoubtedly thousands of our citizens have thus been mulcted of money which they could ill afford to spend.

The public interest requires rigid enforcement of these statutes. It is gratifying to note that the movement has progressed during the past year among advertising men and publishers looking to the elimination from their pages of false and misleading advertisements.

LOTTERIES.

Schemes prohibited under the postal lottery statutes (sections 3929 and 4041 of the Revised Statutes as amended, and section 213 of the Criminal Code of the United States) are still sought to be operated through the mails. This is shown by the fact that during the year 1,500 lottery enterprises have been suppressed. These embraced

every conceivable plan of business involving the distribution of prizes or returns in the nature of prizes. Included among them are prize contests and competitions of various descriptions, endless-chain enterprises, so-called bond-investment schemes, land openings, and other investment propositions which result in unequal returns to those who enter them on equal footing. So ingeniously are they framed in attempts to evade the law that in many cases it is only after careful study and analysis of the plans that the lottery features are detected. The law imposes upon the department the duty of suppressing these unlawful enterprises, many of which are most vicious. This is done in their incipiency when possible; once in operation, they exact large sums of money from the public.

During the year the department has experienced much trouble with so-called prize puzzle schemes which promoters devise and sell to different newspapers and other publications for the purpose of increasing their circulation. Subscriptions are paid for the opportunity of participating in the distribution of the large sums of money offered as prizes, each subscriber taking his chance of becoming one of the few lucky winners. The postal lottery statutes are intended to cover these schemes, however disguised the lottery elements may be in their construction.

OBSCENE AND SCURRILOUS MATTER.

In the administration of laws prohibiting use of the mails for transmission of obscene and scurrilous matter postmasters and other postal officials, when in doubt, are required to submit such matter to the Solicitor for the Post Office Department for an opinion as to its mailability. A vast amount of correspondence has been occasioned by a widespread misconception of these laws.

Many thousand petitions and complaints have been received during the year against certain newspapers which deal with religious and other questions in a manifestly coarse, defamatory, and scurrilous manner, and in which many of the statements are alleged to be false and libelous. The exclusion from the mails of such publications has been earnestly urged on the ground that they constitute obscene, lewd, lascivious, filthy, and indecent matter, within the meaning of section 211 of the Criminal Code.

This department is without means to exclude from the mails issues of publications containing matter of an obscene, lewd, lascivious, filthy, or indecent character unless such matter is submitted to it by postmasters or others for advice before transmission through the mails. After matter of this character has passed through the mails, the only action possible under the law is a prosecution in the courts under section 211 of the Criminal Code. A number of such publica-

tions alleged to contain prohibited matter have been submitted to the Department after having passed through the mails, and in turn have been referred to the proper district attorney for such action as the facts warranted. In the rigid enforcement of this law as it affects this department, careful examination has been made of all matter submitted by postmasters and others in advance of its transmission through the mails, but it has been found impossible under the law to exclude much of it, which, even though defamatory, scurrilous, false, and libelous, is not obscene, lewd, lascivious, filthy, and indecent under the construction placed by the courts upon these terms as used in the statute.

The leading case on this subject is the decision of the Supreme Court of the United States in Swearingen *v.* United States (161 U. S., 446). The publication upon which the indictment in this case was based was probably as coarse, vulgar, abusive, scurrilous, defamatory, and libelous as any matter which has ever been submitted here for consideration, but with all that it contained nothing calculated to induce libidinous thoughts. In passing upon the case the court said:

> The offense aimed at in that portion of the statute we are now considering was the use of the mails to circulate or deliver matter to corrupt the morals of the people. The words "obscene," "lewd," and "lascivious," as used in the statute, signify that form of immorality which has relation to sexual impurity and have the same meaning as is given them at common law in prosecutions for obscene libel. As the statute is highly penal, it should not be held to embrace language unless it is fairly within its letter and spirit.
>
> Referring to this newspaper article, as found in the record, it is undeniable that its language is exceedingly coarse and vulgar, and, as applied to an individual person, plainly libelous. But we can not perceive in it anything of a lewd, lascivious, and obscene tendency, calculated to corrupt and debauch the mind and morals of those into whose hands it might fall.

This decision has been uniformly followed by the courts wherever this statute was involved, as appears from the many authorities cited in the marginal note to this section in the annotated Criminal Code of the United States. Attention is also called to the cases of United States *v.* Moore (104 Fed., 78), United States *v.* O'Donnell (165 Fed., 218, 221), and Knowles *v.* United States (170 Fed., 409).

While section 212 of the Criminal Code, which is section 481 of the Postal Laws and Regulations, edition of 1913, provides for the exclusion from the mail of matter "upon the envelope or outside cover or wrapper of which * * * delineations, epithets, terms or language of a * * * libelous, scurrilous, defamatory, or threatening character, or calculated * * * to reflect injuriously upon the character or conduct of another, may be written or printed or otherwise impressed or apparent," the courts have held that the words "outside cover or wrapper" do not include the outside sheet of a newspaper, and consequently the admissibility to the mails of a

newspaper or periodical is not affected by the fact that it contains matter which is libelous, scurrilous, defamatory, or of a threatening character, or calculated and intended to reflect injuriously upon the character or conduct of another. (U. S. *v.* Gee, 45 Fed., 194; U. S. *v.* Higgins, 194 Fed., 539.)

But assuming that one or more issues of a newspaper, as a matter of fact, should be found to contain matter prohibited by law, the law provides only for the exclusion of such matter, and hence, necessarily, the particular issue containing it. The act of March 3, 1879 (20 Stat., 259), section 412, Postal Laws and Regulations, edition of 1913, prescribes the conditions upon which a publication "shall be admitted" to the mails as second-class matter, and so long as a newspaper or periodical meets the requirements of that law there is no authority for excluding from the mails the publication as such, and this has been the uniform construction by the Post Office Department from the date of the enactment of the law to the present time. This construction of the law by the department has been so well understood that bills have been introduced in Congress from time to time to authorize the Postmaster General to exclude from the second-class privilege publications, as such, single issues of which are found to contain such nonmailable matter; but no favorable action has ever been taken by Congress on any of these bills.

DETERMINING THE LEGAL ACCEPTABILITY OF BONDS OFFERED AS SECURITY FOR POSTAL SAVINGS DEPOSITS.

During the year the office of the solicitor examined into the legal acceptability of 1,500 issues of State, county, and municipal bonds offered by banks as security for postal savings deposits. The bonds submitted included almost every variety of public security issued under the various constitutional and statutory provisions of the several States. The bonds approved amounted to more than $14,000,000, representing 1,350 issues, aggregating in excess of $1,120,000,000. The bonds held to be not legally acceptable amounted to over $219,500, representing issues aggregating more than $4,000,000.

The fullest advantage has been taken of investigations made by bankers and bond dealers, who have afforded cordial cooperation in this work. In addition, exhaustive and independent examinations were found to be necessary in many cases.

The legal examination has undoubtedly eliminated many securities of doubtful value and discouraged the offering of such securities by banks. The work has had a further beneficial effect in the direction of standardizing public securities and impressing upon municipal officers the importance of a strict compliance with the provisions of State constitutions and statutes in the issuance of bonds, as

it has been demonstrated that bonds meeting the requirements for postal savings securities thereby acquire added value, and unquestionably in time due consideration will be given by State legislatures to the advantages resulting from the drafting of statutes authorizing the issuance of bonds with special reference to their availability as security for postal savings deposits.

CLAIMS OF POSTMASTERS FOR REIMBURSEMENT FOR LOSSES SUSTAINED.

The Postmaster General is authorized by law to reimburse postmasters for losses of Government funds and stamp supplies resulting from "fire, burglary, or other unavoidable casualty," and for losses of such funds in transit to their designated depositories. The total number of claims received during the year was 1,467, an increase of 66 over the previous year, and the largest number ever received in any one year. Claims to the number of 959 were settled, of which 722 claims, aggregating $112,999.54, were allowed.

POSTMASTERS.

At the outset of this administration it was announced emphatically that persons retained or appointed as postmasters would be required to give their personal attention to their official duties. The rigid enforcement of this requirement, together with the careful examination of the credentials of applicants for appointment, has undoubtedly secured for the Postal Service the most efficient postmasters it has ever had.

The function to be performed in each community by the post office is determined very largely by the local conditions, and the best principles clearly require that post offices be accorded a liberal degree of autonomy and that postmasters be held personally responsible for satisfactory service in their respective communities. A postmaster of large executive ability has an opportunity to perform service of great civic importance, and it is the aim of the department, therefore, not only to select as postmasters persons who are capable of the highest degree of efficient service but also to impose as little restriction as possible upon their discretionary power in the management of their offices.

In thus emphasizing the importance and responsibility of the postmasters, this administration has accentuated the need for the civil-service classification of their positions, in order that they may be more readily and unquestionably amenable to disciplinary action by the department and that new appointees may be chosen from experienced postal employees. As a step in this direction it is desired that existing laws be amended as recommended on page 69, so that postmasters at third-class post offices shall be appointed by the Post-

master General instead of by the President, as now. A full discussion of this proposal will be found in the report of the First Assistant Postmaster General.

READJUSTMENT OF POSTMASTERS' SALARIES.

The operation of the parcel post, which has greatly increased postal receipts, especially at larger offices, has brought forcibly to attention the inadequacy of the present law controlling the salaries of presidential postmasters. The various grades are not now based on any scientific or uniform basis and the salaries provided are generally higher than are warranted by comparison with commercial standards of compensation. A proposed schedule of salaries is set forth in a tentative draft of legislation desired, which is included on page 60 of this report. Attention is also directed in this connection to a full description of the plan in the report of the First Assistant Postmaster General, and it is earnestly recommended to Congress that the legislation necessary to put it into effect be enacted.

RECLASSIFICATION OF SUPERVISORY PLACES AND SALARIES IN POST OFFICES.

The reorganization of post offices on the "two-division" plan has forcibly brought to attention the desirability of abolishing the position of assistant postmaster and of reclassifying the supervisory places and salaries in post offices. The assistant postmaster is no longer needed to act in the absence of the postmaster, as that duty will now devolve in the larger offices on the superintendent of mails or the superintendent of finance, and in the smaller offices on a chief clerk. Under the policy of requiring postmasters to direct actively their own offices, the assistant postmaster can not serve any purpose as an intermediary between the postmaster and the superintendents of divisions, whose relations with the postmaster can not be too direct. The assistant postmaster at the larger offices therefore becomes unnecessary, and as the duties of such officers at the smaller offices have long been merely clerical, the title and salary should be abolished.

The annual appropriations for the Postal Service contain provision for many supervisory places under designations that are no longer applicable. Approximately the same number of places are still required, but many of the designations should be abolished and a wider range of salaries provided under the designations remaining. The titles of superintendents and assistant superintendents of delivery, registry, and money order, as well as other designations which are no longer descriptive of the duties performed, should be abolished. On the other hand, there should be a corresponding increase in the num-

ber of subordinate supervisory places under the superintendents of mails and of finance.

In addition to standardizing the designations of supervisory employees it is necessary to arrive at some method of apportioning these places among the post offices so that offices of the same size and importance will have as nearly as possible the same supervision.

It is recommended, therefore, that the number of supervisory places for each post office be fixed according to the gross postal receipts; that unnecessary designations be eliminated; that the appropriations for the ensuing fiscal year include a sufficient number of supervisory places to provide proper supervision in all offices; and that the salaries attached thereto be graded according to the importance of the work devolving on the several classes of supervisory employees. A plan giving effect to these recommendations has been embodied in a tentative draft of legislation.

SITES AND PUBLIC BUILDINGS FOR POSTAL PURPOSES.

With a view to conserving the public funds and improving the Postal Service, the Postmaster General in his last annual report directed attention to the desirability of having this department participate in the selection of sites and in passing upon the designs for the construction and arrangements for the maintenance of buildings to be used for postal purposes. A plan has since been adopted under which the Secretary of the Treasury refers to the Postmaster General all cases involving the selection of sites for post-office buildings and gives consideration to representations made by this department as to the sites most desirable from the viewpoint of the Postal Service.

An examination of the pending public-buildings projects authorized up to November 30, 1913, indicates that the general subject of public buildings concerns chiefly the Postal Service. Of the 1,128 projects, only 82 are not post offices. Obviously in the authorizations for public buildings, in the selection of their sites, and in the preparation of plans and the letting of contracts for their construction, as well as in their furnishing, maintenance, and custody, the interest of the Postal Service is paramount.

It is generally agreed that in the past quite a number of unnecessary public buildings have been authorized, that the projects have not been properly coordinated as to limits of cost, and, consequently, that the impossibility of utilizing standard plans and methods has greatly retarded the completion of the work. Evidently with a desire to correct these conditions Congress inserted in the act of March 4, 1913, a provision creating a Public-Buildings Commission

composed of the Secretary of the Treasury, the Postmaster General, the Attorney General, and four Members of Congress.

The law provided that the commission should "present to Congress a connected scheme, involving annual appropriations for the construction and completion of public buildings heretofore authorized within a reasonable time, and * * * frame a standard or standards by which the size of public buildings shall, as far as practicable, be determined, and * * * report as to the adaptability in size, accommodations, and cost of buildings hitherto authorized to the communities in which they are to be located, and also whether the existing appropriations shall be increased or diminished to meet such requirements." On April 30, 1914, the commission presented to Congress a report signed by a majority of four members, dissented to in minor details by one other member, and accompanied by a letter from the Attorney General stating that he had been unable to study the subject sufficiently to enable him to arrive at a fixed conclusion. The Postmaster General, after an exhaustive investigation, dissented fundamentally from the views of the majority and submitted a minority report, to which this department subscribes as presenting clearly and in detail the reforms needed in the important respects outlined. Reference is here made to said report of the Public Buildings Commission, the same having been printed as a public document (H. Doc. No. 936, 63d Cong., 2d sess.), and especial attention is invited to the minority report, hereinbefore mentioned, on page 15 thereof.

The minority report accompanying said report of the Public Buildings Commission sets forth the need for clearly defined policies with respect to the authorization and construction of public buildings, and proposes standards for the guidance of Congress in authorizing public buildings and for determining the size and limit of cost of each building. This report was officially indorsed by the former Supervising Architect of the Treasury Department and also by the American Institute of Architects in letters addressed to the Postmaster General under dates of May 16 and November 11, 1914, respectively, the latter communication having been signed by each member of the board of directors of said institute.

The feasibility of standard plans for reducing the amount of technical services required and for expediting the work of construction is established. By means of tabular statements these standards are applied to all pending authorizations, and it is shown by parallel comparison that had Congress been able to avail itself of such standards in framing the act of March 4, 1913, the total appropriation of $41,797,350 might have been curtailed by more than $15,000,000 with-

out sacrificing any substantial benefits to the Postal Service or to the people in the communities affected. It is earnestly hoped that Congress will give careful consideration to the conclusions supported in the minority report hereinbefore referred to, in the interest both of increased postal efficiency and of the most effective and economical expenditure of public funds.

A physical valuation of public buildings used wholly or in part for postal purposes was completed during the past year. The inquiry showed that the total present value of all public buildings, sites, and equipment chargeable to the Postal Service amounts to $115,266,213.91, and that the rental value of this property to the Postal Service is $6,402,257.44 annually, an item to which due weight should be given in considering the financial condition. The return to the Government on this investment may, therefore, be considered as 5.55 per cent annually.

FINANCIAL SUMMARY.

Following is a statement of the audited revenues and expenditures on account of the Postal Service for the fiscal year 1914 in comparison with the year preceding:

Comparison of revenues and expenditures for the fiscal year ended June 30, 1914, with those of preceding year.

Items.	Fiscal year.	
	1913	1914
REVENUES.		
Ordinary postal revenues	$261,037,393.92	$280,769,549.19
Revenues from money-order business	5,582,131.73	6,339,398.80
Revenues from postal savings business		825,617.68
Total revenues from all sources	266,619,525.65	287,934,565.67
EXPENDITURES.		
Expenditures on account of the current year	253,678,106.18	275,023,288.79
Expenditures on account of previous years	8,389,435.15	8,520,480.37
Total expenditures during year	262,067,541.33	283,543,769.16
Excess of revenues over expenditures	4,551,984.32	4,390,796.51
Amount of losses by fire, burglary, bad debts, etc.	41,333.41	14,333.46
Surplus in postal revenues	4,510,650.91	4,376,463.05

REVENUES IN DETAIL.

Postal revenues:	
Sales of stamps, stamped envelopes, newspaper wrappers, and postal cards	$258,421,952.04
Second-class postage (pound rate) paid in money	10,253,255.28
Third and fourth class postage paid in money	6,715,290.59
Receipts from box rents	4,886,599.22
Letter postage paid in money (made up principally of balances due from foreign administrations)	256,494.52
Miscellaneous receipts	103,642.96
Fines and penalties	93,237.09
Receipts from unclaimed letters	39,077.49
Total postal revenues	280,769,549.19
Money-order revenues:	
Revenues from domestic and international money-order business	5,758,509.95
Revenues from invalid money orders	580,888.85
Total money-order business	6,339,398.80
Revenues from postal-savings business	825,617.68
Total revenues from all sources	287,934,565.67

EXPENDITURES IN DETAIL.

The audited expenditures of the Postal Service during the fiscal year were as follows:

Items.	On account of the fiscal year 1914.	On account of previous fiscal years.	Total.
Compensation to assistant postmasters and clerks	$50,877,524.68	$55,695.71	$50,933,220.39
Rural delivery	47,333,669.63	76,520.43	47,410,190.06
Transportation of mails on railroads	47,162,597.75	4,351,592.31	51,514,190.06
City delivery	40,398,621.50	24,640.17	40,423,261.67
Compensation to postmasters	29,954,209.28	14,306.07	29,968,515.35
Railway Mail Service	26,174,206.39	91,145.77	26,265,352.16
Transportation of mails on star routes	7,006,482.93	758,523.94	7,765,006.87
Rent, light, and fuel	4,620,588.50	63,832.54	4,684,421.04
Railway post-office car service	3,879,071.52	762,234.73	4,641,306.25
Transportation of foreign mails	2,610,653.07	757,119.10	3,367,772.17
Transportation of mails—wagon service	1,909,950.34	148,193.43	2,148,143.77
Special-delivery service	1,837,961.05	391.83	1,838,352.88
Mail-messenger service	1,696,883.59	155,957.08	1,852,840.67
Manufacture of stamped envelopes	1,507,876.93	117,285.08	1,625,162.01
Post-office inspectors	1,085,456.44	31,592.57	1,117,049.01
Transportation of mails—pneumatic-tube service	877,639.86	79,151.92	956,791.78
Manufacture of postage stamps	745,571.46	32,941.98	778,513.44
Transportation of mails on steamboats	731,594.52	126,297.05	857,891.57
Transportation of mails—electric and cable cars	659,636.25	61,167.88	720,804.13
Mail bags, etc	389,345.73	17,341.71	406,687.44
Balances due foreign countries	374,612.66	13,852.96	388,465.62
Freight on stamped paper and mail bags	350,616.98	138,783.30	489,400.28

Items.	On account of the fiscal year 1914.	On account of previous fiscal years.	Total.
Miscellaneous items at first and second class post offices	$345,783.29	$5,468.43	$351,251.72
Manufacture of postal cards	338,308.53	67,583.91	405,892.44
Canceling machines	250,339.23	5,099.71	255,438.94
Payment of money orders more than 1 year old	240,834.96		240,834.96
Twine and tying devices	217,846.10	3,801.43	221,647.53
Mail transportation in Alaska—star	186,840.41	59,385.87	246,226.28
Supplies, money-order service	109,750.47	16,242.12	125,992.59
Stationery	105,958.72	2,586.36	108,545.08
Letter balances and scales	104,280.02	10,716.90	114,996.92
Mail-bag repair shops—labor	97,893.01	15.25	97,908.26
Village delivery service	91,818.30	357.50	92,175.80
Supplies, City Delivery Service	85,729.40	40,112.60	125,842.00
Shipment of supplies	85,445.50	25,681.26	111,126.76
Official and registry envelopes	73,091.84	5,267.18	78,359.02
Indemnities, insured mail	64,837.41		64,837.41
Facing slips, etc	64,263.41	2,743.47	67,006.88
Office appliances	62,702.80	15,533.80	78,236.60
Mail-lock repair shops—labor	35,800.97	13.28	35,814.25
Stamping appliances	33,787.94	10,635.40	44,423.34
Rent of buildings, Post Office Department	26,200.00	8,200.00	34,400.00
Supplies, Rural Delivery Service	25,184.84	8,337.09	33,521.93
Expenditures under 24 smaller items of appropriation (less than $20,000 each)	101,820.58	354,131.25	455,951.83
Total	275,023,288.79	8,520,480.37	283,543,769.16

GROWTH OF THE POSTAL SERVICE.

Receipts and expenditures for certain years from 1800 to 1914.

Items.	1800	1810	1820	1830
Receipts	$280,804	$551,684	$1,111,927	$1,850,583
Expenditures	213,994	495,969	1,160,926	1,932,708
Excess of receipts	66,810	55,715		
Excess of expenditures			48,999	82,125

Items.	1840	1850	1860	1870
Receipts	$4,543,522	$5,499,984	$8,518,067	$19,772,221
Expenditures	4,718,236	5,212,953	19,170,610	23,998,837
Excess of receipts		287,031		
Excess of expenditures	174,714		10,652,543	4,226,616

Items.	1880	1890	1900	1903
Receipts	$33,315,479	$60,882,098	$102,354,579	$134,224,443
Expenditures	36,542,804	66,259,548	107,740,267	138,784,487
Excess of expenditures	3,227,325	5,377,450	5,385,688	4,560,044

GROWTH OF THE POSTAL SERVICE—continued.

Receipts and expenditures for certain years from 1800 to 1914—Continued.

Items.	1904	1905	1906	1907
Receipts	$143,582,624	$152,826,585	$167,932,782	$183,585,005
Expenditures	152,362,116	167,399,169	178,449,778	190,238,288
Excess of expenditures	8,779,492	14,572,584	10,516,996	6,653,283

Items.	1908	1909	1910	1911
Receipts	$191,478,663	$203,562,383	$224,128,657	$237,879,823
Expenditures	208,351,886	221,004,102	229,977,224	237,648,926
Excess of expenditures	16,873,223	17,441,719	5,848,567	
Excess of receipts				230,897

Items.	1912	1913	1914
Receipts	$246,744,015	$266,619,525	$287,934,565
Expenditures	248,525,450	262,067,541	283,543,769
Excess of expenditures	1,781,435		
Excess of receipts		4,551,984	4,390,796

Annual expenditures, by items, for the years 1905 to 1914, inclusive.

Items.	1905	1906	1907
Service in post offices:			
Salaries of postmasters	$22,743,521.43	$23,548,988.33	$24,580,667.25
Salaries of clerks, etc	23,125,718.92	24,700,645.34	26,647,397.21
City Delivery Service	20,923,392.35	22,095,211.02	23,356,941.90
All other expenditures	7,152,286.82	7,501,831.70	8,788,126.13
Total	73,944,919.52	77,846,676.39	83,373,132.49
Railway Mail Service	13,289,368.41	14,182,087.57	15,178,374.92
Rural Delivery Service	20,824,269.44	24,773,613.58	26,666,889.22
Transportation of domestic mail:			
By railroads	45,040,563.62	46,953,438.60	49,758,071.01
By other means of transportation	11,302,795.22	11,449,199.43	12,002,580.70
Total	56,343,358.84	58,402,638.03	61,760,651.71
Transportation of foreign mail	2,832,432.11	3,052,890.46	3,031,038.24
Payment on account of invalid money orders	164,820.91	191,872.86	228,201.86

Annual expenditures, by items, for the years 1905 to 1914, inclusive—Continued.

Items.	1908	1909	1910
Service in post offices:			
Salaries of postmasters	$25,602,973.86	$26,571,911.15	$27,514,362.80
Salaries of clerks, etc	30,920,449.68	34,876,492.71	38,045,456.62
City Delivery Service	26,450,138.33	29,869,783.03	31,805,485.28
All other expenditures	9,649,691.38	10,061,092.05	10,405,405.69
Total	92,623,253.25	101,379,278.94	107,770,710.39
Railway Mail Service	17,390,532.15	18,356,800.13	19,389,414.44
Rural Delivery Service	34,455,269.59	35,586,779.50	37,073,732.64
Transportation of domestic mail:			
By railroads	48,458,255.34	49,869,374.52	49,405,311.27
By other means of transportation	11,962,539.41	12,382,475.27	12,534,500.99
Total	60,420,794.75	62,251,849.79	61,939,812.26
Transportation of foreign mail	3,084,025.44	2,943,849.32	3,203,821.23
Payment on account of invalid money orders	378,010.97	485,545.21	599,733.54

Items.	1911	1912	1913	1914
Service in post offices:				
Salaries of postmasters	$28,284,994.11	$28,847,726.32	$29,121,692.47	$29,968,515.35
Salaries of clerks, etc	40,364,930.39	42,484,457.37	45,785,826.34	50,933,220.39
City Delivery Service	33,165,067.58	34,266,926.35	36,732,578.66	40,549,103.67
All other expenditures	11,083,406.74	11,118,292.23	11,809,403.32	13,182,327.07
Total	112,898,398.82	116,517,402.27	123,454,470.79	134,633,166.48
Railway Mail Service	20,106,909.40	20,711,675.12	22,925,614.11	26,265,352.16
Rural Delivery Service	37,145,756.65	41,889,522.80	45,702,413.20	47,443,711.99
Transportation of domestic mail:				
By railroads	50,583,122.96	51,691,301.21	51,959,387.66	56,155,496.31
By other means of transportation	13,175,895.83	13,288,790.46	13,375,142.96	15,037,105.35
Total	63,758,488.79	64,980,091.67	65,334,529.72	71,192,601.66
Transportation of foreign mail	3,315,349.28	3,917,370.94	4,258,621.29	3,768,101.91
Payment on account of invalid money orders	424,053.74	509,387.28	391,892.22	240,834.96

RECOMMENDATIONS FOR LEGISLATION.

By way of suggestion the following tentative drafts of legislation embodying certain recommendations of the department are submitted:

READJUSTMENT OF SALARIES OF PRESIDENTIAL POSTMASTERS.

In order that the salaries paid to postmasters at offices of the first and second classes shall accord more nearly with commercial standards of compensation for like services, that the advancement may be based on a consistent scheme of progression, and that the department may be largely relieved of the administrative burden of frequent salary readjustments, it is recommended that the act of March 3,

1883, fixing the compensation of postmasters, be amended according to the following tentative draft of legislation:

That the respective compensation of postmasters of the first, second, and third classes shall be annual salaries, graded in even hundreds of dollars, and payable in quarterly payments, to be ascertained and fixed by the Postmaster General from their respective quarterly returns to the Auditor for the Post Office Department or copies or duplicates thereof to the First Assistant Postmaster General, for the calendar year immediately preceding the adjustment, at the following rates, namely:

Gross receipts.	Salary.
Third class:	
$1,900 and less than $2,100	$1,000
$2,100 and less than $2,400	1,100
$2,400 and less than $2,700	1,200
$2,700 and less than $3,000	1,300
$3,000 and less than $3,500	1,400
$3,500 and less than $4,200	1,500
$4,200 and less than $5,000	1,600
$5,000 and less than $6,000	1,700
$6,000 and less than $7,000	1,800
$7,000 and less than $8,000	1,900
Second class:	
$8,000 and less than $20,000	2,000
$20,000 and less than $40,000	2,500
First class:	
$40,000 and less than $160,000	3,000
$160,000 and less than $340,000	3,500
$340,000 and less than $610,000	4,000
$610,000 and less than $1,000,000	4,500
$1,000,000 and less than $1,600,000	5,000
$1,600,000 and less than $2,500,000	5,500
$2,500,000 and less than $3,900,000	6,000
$3,900,000 and less than $6,000,000	6,500
$6,000,000 and less than $9,000,000	7,000
$9,000,000 and less than $13,600,000	7,500
$13,600,000 and over	8,000

(See Report of First Assistant Postmaster General.)

COMPENSATORY TIME FOR SUNDAY SERVICE.

To enable the department to grant compensatory time for Sunday work at such times as the employees can be most conveniently excused from duty, the recommendation included in the report of last year for the amendment of the act of August 24, 1912 (37 Stat. L., 543), is renewed:

That on and after July first, nineteen hundred and fifteen, should the needs of the service require, the employment on Sunday of letter carriers in the City Delivery Service and clerks in first and second class post offices, the employees who are required and ordered to perform Sunday work shall be allowed compensatory time for such service at such time thereafter as they can be most conveniently excused from duty.

(See report of First Assistant Postmaster General.)

BRANCH POST OFFICES AND POSTAL STATIONS.

In order that the present legal restrictions as to the establishment of stations and branch post offices may be removed and the department given reasonable latitude in this matter, the following recommendation contained in the last annual report is renewed:

That hereafter the Postmaster General may establish, under such rules and regulations as he may prescribe, one or more branch offices, nonaccounting offices, or stations of any post office for the transaction of such postal business as may be required for the convenience of the public.

(See Report of First Assistant Postmaster General.)

GUARANTY FUND IN LIEU OF BONDS.

To dispense with the surety bonds now required of officers and employees accountable for funds or property and to substitute therefor a guaranty fund established and maintained by assessments prescribed by the Postmaster General, the recommendation included in the report of last year for the enactment of the following provision of law is renewed:

That the Postmaster General is hereby authorized to prescribe regulations for the establishment and maintenance of a guaranty fund, to be derived from assessments levied against and collected from officers and employees of the Postal Service accountable for funds or property with which to make good losses resulting from the failure of any officer or employee of the Postal Service to properly discharge his official duty and for the indemnification of the Government and any person or persons sustaining such loss or losses by payments out of such funds; but nothing herein shall be construed as binding the Government or the Postmaster General to make any such payment or reimbursement.

(See Report of First Assistant Postmaster General.)

REDUCTION OF COMPENSATION FOR SUBSTITUTE, AUXILIARY, VACATION, AND TEMPORARY CLERK AND CARRIER SERVICE.

To provide that all post-office clerks and carriers other than those appointed to regular classified positions shall be compensated for their services at the rate of 30 cents an hour, it is recommended that existing legislation be amended as follows:

On and after July first, nineteen hundred and fifteen, substitute post-office clerks and substitute letter carriers employed in first and second class post offices shall be paid at the rate of 30 cents per hour.

(See Report of First Assistant Postmaster General.)

FOUR-YEAR CONTRACTS FOR CONTRACT STATIONS.

It is recommended that the Postmaster General be authorized, in his discretion, to enter into such contracts for periods of four years,

and that the following provision be inserted in the Postal Service bill for the ensuing fiscal year:

Provided, That hereafter the Postmaster General may enter into contracts for the conduct of such stations for a term not exceeding four years.

(See Report of First Assistant Postmaster General.)

PRIVATE MAIL RECEPTACLES.

To effect a material saving in the City Delivery Service by requiring mail receptacles to be provided by patrons, the following tentative draft of legislation is suggested:

That on and after July first, nineteen hundred and fifteen, the delivery of mail by city letter carriers shall be made only at such residences and places of business as provide at the door or entrance suitable receptacles for its deposit.

(See Report of First Assistant Postmaster General.)

ADVANCEMENT OF FOURTH-CLASS OFFICES.

To permit the advancement to the presidential class of any fourth-class office, provided the postmaster's compensation for the year amounts to $1,000, irrespective of whether it amounts to $250 for each quarter, as now required, the following legislation is recommended:

That on and after July first, nineteen hundred and fifteen, when the total compensation of any postmaster at a post office of the fourth class for four consecutive quarters shall amount to $1,000, exclusive of commissions on money orders issued, and the receipts of such post office for the same period shall aggregate as much as $1,900, the Auditor for the Post Office Department shall so report to the Postmaster General, who shall, in pursuance of such report, assign such post office to its proper class, to become effective at the beginning of the next succeeding quarterly period, and fix the salary of the postmaster accordingly.

(See Report of First Assistant Postmaster General.)

BIENNIAL PROMOTIONS OF CLERKS AND CARRIERS.

To provide that post-office clerks and letter carriers shall be promoted successively to the grades now provided by law, but that no such promotion shall be made unless the clerk or carrier to be promoted has served at least two years in the next lower grade, it is recommended that existing legislation be amended as follows:

That on and after July first, nineteen hundred and fifteen, clerks and carriers at first-class post offices shall be promoted successively to the fifth grade, and clerks and carriers at second-class post offices shall be promoted successively to the fourth grade. All promotions of clerks and carriers shall be made at the beginning of the quarter following the expiration of two years' service in the

next lower grade and no promotion shall be made except upon evidence satisfactory to the Post Office Department of the efficiency and faithfulness of the employee during the preceding two years.

(See Report of First Assistant Postmaster General.)

SCHEDULES FOR CLERKS AND CARRIERS.

A reasonable degree of latitude should be accorded to postmasters in arranging the schedules of clerks and carriers according to the fluctuation of incoming and outgoing mail so that prompt and satisfactory service may be maintained without undue expense for the auxiliaries and substitutes. The following legislation is therefore recommended:

That hereafter clerks in first and second class post offices and letter carriers in the City Delivery Service shall be required to work eight hours daily as nearly as practicable, and may be required to work more than eight hours daily without extra compensation: *Provided, however*, That in case such employees are employed more than forty-eight hours a week in any week they shall be paid extra for such additional services in proportion to their salaries as fixed by law; and the daily service of clerks at first and second class post offices and letter carriers in the City Delivery Service shall not extend over a period longer than twelve consecutive hours.

(See Report of First Assistant Postmaster General.)

TERRITORIAL TELEGRAPHS AND TELEPHONES.

To give effect to the recommendation set forth on page 16 for the acquisition of the telegraph and telephone utilities of Alaska, Porto Rico, and Hawaii, the following legislation is recommended:

That in order to promote the Postal Service the Postmaster General of the United States is hereby vested with a monopoly of the function and means of electrical communication for hire within Alaska, Porto Rico, and the Hawaiian Islands, except as hereinafter provided.

SEC. 2. That on and after July first, nineteen hundred and fifteen, the Washington-Alaska military cable and telegraph system shall be maintained and operated by the Post Office Department instead of by the War Department, as at present, under such rules and regulations as the Postmaster General may prescribe.

SEC. 3. That the Secretary of War is hereby authorized and directed to assign for duty on the Washington-Alaska military cable and telegraph system, in accordance with the request of the Postmaster General, not to exceed five officers and such number of enlisted men of the Signal Corps as may be deemed necessary, who, while so assigned, shall receive the pay and allowances to which they are entitled by law; and further, that the Secretary of War shall discharge from the Army such enlisted men as the Postmaster General may desire to continue as civilian employees of the system, provided application for such discharge be made by the enlisted men concerned.

SEC. 4. That the telephone and telegraph lines, systems, and the radiotelegraph stations within Alaska, Porto Rico, and the Hawaiian Islands, other than the Washington-Alaska military cable and telegraph system and its appurtenances hereinbefore mentioned, employed in the transmission of communi-

cations for hire, and such as may be necessary of the central office equipment, underground cable, underground conduit, aerial cable, aerial wire, poles, building cable, subscribers' stations, including indoor wiring and drops to premises of subscribers, private branch-exchange switchboards, land, buildings, furniture and fixtures, tools and teams, stores, supplies, and all other property used in the telegraph, telephone, and radiotelegraph services and appropriate and necessary for the operation of the same by the United States, are hereby declared to be, and the same are hereby, condemned and appropriated to and for the use of the United States of America, to be used by it for such public purposes as may be proper.

SEC. 5. That it shall be the duty of the Postmaster General, and he is hereby empowered and directed, on the first day of July, nineteen hundred and fifteen, to take charge and possession of, in the name of, for, and by the authority of the United States of America, all telegraph and telephone lines in Alaska, Porto Rico, and Hawaii condemned in section four, as he may deem advisable. And it shall be the duty of the Postmaster General to use the properties and facilities of which he has taken possession in conjunction with the Postal Service for the transmission of telegrams, messages, correspondence, and communications under such rates and regulations as he may prescribe in order to promote the usefulness of the service to the public and to insure the receipt of revenue adequate to pay the cost of such service. The Postmaster General is hereby authorized during the fiscal years nineteen hundred and sixteen, nineteen hundred and seventeen, and nineteen hundred and eighteen, to use so much of the revenues arising from the telephone, telegraph, and radiotelegraph businesses operated by the Post Office Department as may be necessary to employ persons to operate the service, to pay rents, the costs of maintenance, and such other expenses as may be necessary for the proper conduct of the service, and shall render a report in detail of such expenditures to Congress at the beginning of each regular session thereof.

SEC. 6. That immediately after the passage of this act it shall be the duty of the Interstate Commerce Commission, on application by the Postmaster General, to appraise such properties as the Postmaster General may desire to acquire, such appraisals to be made in the order in which the Postmaster General elects to take over the properties, and award to the respective owners thereof just compensation therefor; and said Interstate Commerce Commission shall, as soon as possible thereafter, file an inventory of the physical assets in use and useful for conducting such services and the values of the same, proper allowance being made for depreciation. The said Interstate Commerce Commission shall have the power, and it shall be its duty, to summon witnesses, to compel such witnesses to testify, and to present such books and papers as may be necessary, and the commission shall give to all concerned the privilege of a full hearing on the awards; and the said commission shall file a separate award of appraisal for each ownership and give notice to the Postmaster General and the owner thereof of the filing of such award. It shall be the further duty of the Interstate Commerce Commission to prescribe such methods of keeping records and accounts as may be necessary to determine the changes in values of the properties between the date of the original appraisals and that of taking possession by the Postmaster General, if any such interval there be, which changes in values, if any, shall be added to or deducted from the original awards. If either party be dissatisfied with the amount of any award, such award may, on appeal by either party, be reviewed by the circuit court of appeals of the United States having jurisdiction where the owner has its principal office, which circuit court of appeals is hereby vested with jurisdiction for such purpose, and an appeal may similarly be taken from such circuit court of

appeals to the Supreme Court of the United States for final review. The final award shall bear interest at the rate of four per centum per annum from the date the Postmaster General shall have taken possession of the property until the date of its final payment, which interest may be paid quarterly to the owners pendente lite on such principal sum as may, for that purpose, be agreed upon between the Postmaster General and the owner, the excesses or shortages, if any, in payments of interest, as determined by the amount of the final award, to be credited or debited in accordance with the final award.

SEC. 7. That the Secretary of the Treasury is hereby authorized and directed to make payment to the owners of such properties of the money due them under said awards as aforesaid out of the Treasury of the United States, and said owners shall be entitled to payment of such awards as compensation from the Treasury of the United States after the Postmaster General takes possession of the property valued in said awards, and the amounts of said awards are hereby appropriated to the parties entitled thereto out of the Treasury of the United States.

SEC. 8. The Postmaster General may confer the privileges by license on any Territory, county, municipality, company, association, or individual, under such regulations and conditions as he may prescribe, to construct and operate telegraph or telephone lines as well as telephone exchanges and radio stations, or he may require that the same be operated by the Post Office Department, but he shall stipulate in said license the right of purchase by the United States.

SEC. 9. Whoever shall construct and operate any telephone or telegraph line for the conveyance of messages or communications for hire in Alaska, Porto Rico, and the Hawaiian Islands without first securing from the Postmaster General a license so to do in accordance with section eight of this act shall be fined not exceeding $1,000, or imprisoned not less than one year, or both.

Whoever shall willfully interfere with the operation of the telephone, telegraph, or radiotelegraph services operated and controlled by the Post Office Department, or with the transmission of any telephone, telegraph, or radiotelegraph message, or with the delivery of any such message, or whoever being employed by the Post Office Department shall divulge the contents of any such telephone, telegraph, or radiotelegraph message to any person not authorized to receive the same, shall be fined not exceeding $1,000, or imprisoned not less than one year, or both.

All statutes relating to offenses against the property belonging to or in use by the Post Office Department, or the embezzlement, conversion, improper handling, unlawful retention, use, or disposal of postal or money order funds, and to offenses against the mails, and the punishment provided for such offenses are hereby made applicable to the telephone, telegraph, and radio services operated by the Post Office Department.

All acts or parts of acts inconsistent with this act are hereby repealed.

RECLASSIFICATION OF SUPERVISORY PLACES AND SALARIES IN POST OFFICES.

To reclassify the places and salaries of supervisory employees in post offices according to the recommendations set forth the following draft of legislation is proposed:

That on and after July 1, 1915, the position of assistant postmaster shall be abolished at all post offices.

That on and after July 1, 1915, the compensation of employees other than those in the clerical grades in post offices of the first class shall be annual sal-

aries, graded in even hundreds of dollars, based upon the postal receipts for the preceding calendar year of the post office at which they are employed, as follows:

At each post office where the receipts are $40,000 but less than $60,000: superintendent of finance, $1,300; superintendent of mails, $1,300.

At each post office where the receipts are $60,000 but less than $100,000: superintendent of finance, $1,400; superintendent of mails, $1,400.

At each post office where the receipts are $100,000 but less than $150,000: superintendent of finance, $1,500; superintendent of mails, $1,500.

At each post office where the receipts are $150,000 but less than $200,000: superintendent of finance, $1,600; superintendent of mails, $1,600.

At each post office where the receipts are $200,000 but less than $300,000: superintendent of finance, $1,700; superintendent of mails, $1,700.

At each post office where the receipts are $300,000, but less than $400,000: superintendent of finance, $1,800; cashiers, $1,500; superintendent of mails, $1,800; assistant superintendent of mails, $1,500.

At each post office where the receipts are $400,000 but less than $600,000: superintendent of finance, $2,000; cashiers, $1,600; superintendent of mails, $2,000; assistant superintendent of mails, $1,600; stenographers, $900 to $1,200.

At each post office where the receipts are $600,000 but less than $800,000: superintendent of finance, $2,200; cashiers, $1,700; superintendent of mails, $2,200; assistant superintendent of mails, $1,600 and $1,700; stenographers, $900 to $1,200.

At each post office where the receipts are $800,000 but less than $1,000,000: superintendent of finance, $2,400; cashiers, $1,800; superintendent of mails, $2,400; assistant superintendents of mails, $1,700 and $1,800; stenographers, $900 to $1,200; bookkeeper, $1,400.

At each post office where the receipts are $1,000,000 but less than $1,500,000: superintendent of finance, $2,600; cashiers, $2,000; superintendent of mails, $2,600; assistant superintendents of mails, $1,800 and $2,000; stenographers, $900 to $1,200; bookkeeper, $1,500.

At each post office where the receipts are $1,500,000 but less than $2,000,000: superintendent of finance, $2,800; cashiers, $2,200; superintendent of mails, $2,800; assistant superintendents of mails, $2,000 and $2,200; stenographers, $900 to $1,200; bookkeeper, $1,600.

At each post office where the receipts are $2,000,000 but less than $3,000,000: superintendent of finance, $3,000; cashiers, $2,400; superintendent of mails, $3,000; assistant superintendents of mails, $2,000, $2,200, and $2,400; stenographers, $900 to $1,200; bookkeeper, $1,800.

At each post office where the receipts are $3,000,000 but less than $5,000,000: superintendent of finance, $3,200; cashiers, $2,600; superintendent of mails, $3,200; assistant superintendents of mails, $2,000, $2,400, and $2,600; stenographers, $900 to $1,200; bookkeeper, $2,000.

At each post office where the receipts are $5,000,000 but less than $10,000,000: superintendent of finance, $3,400; cashiers, $2,800; superintendent of mails, $3,400; assistant superintendents of mails, $2,400, $2,600, and $2,800; stenographers $900 to $1,200; bookkeeper, $2,200.

At each post office where the receipts are $10,000,000 but less than $20,000,000: superintendent of finance, $3,600; cashiers, $2,800; superintendent of mails, $3,600; assistant superintendents of mails, $2,400, $2,600, and $2,800; stenographers, $900 to $1,200; bookkeeper, $2,400.

At each post office where the receipts are $20,000,000 or over: superintendent of finance, $3,800; cashiers, $2,800; superintendent of mails, $3,800; assistant superintendents of mails, $2,400, $2,600, and $2,800; superintendent of delivery,

$3,800; assistant superintendents of delivery, $2,400, $2,600, and $2,800; stenographers, $900 to $1,200; bookkeeper, $2,400; auditor, $3,000:

And provided further, That there may also be employed at first-class post offices special clerks, foremen, and stenographers at a salary of $1,300 or more per annum, the total number at any post office not to exceed one at $1,300 for each $100,000 receipts; one at $1,400 for each $200,000 receipts; one at $1,500 for each $400,000 receipts; one at $1,600 for each $800,000 receipts; one at $1,700 for each $1,500,000 receipts; one at $1,800 for each $3,000,000 receipts; one at $1,900 for each $6,000,000 receipts; and one at $2,000 for each $12,000,000 receipts:

And provided further, That on and after July 1, 1915, the salary of station superintendents shall be based on the postal receipts and number of employees at their respective stations on the following basis:

When the receipts of a carrier station do not exceed $5,000 per annum the station shall have a credit of three points, and for each additional $5,000 a credit of one point.

When the receipts of a noncarrier station do not exceed $5,000 per annum the station shall have a credit of three points, and for each additional $30,000 a credit of one point.

When the employees (clerks and carriers, city and rural) at a carrier station are three or less the station shall have a credit of one point, and for each multiple of three employees a credit of one point.

Stations having a credit of less than five points shall be in charge of a clerk at a salary not to exceed $1,200.

At stations having a total credit of five points or more the salary of the superintendent shall be as follows:

5 and 6 points, superintendent, $1,300.
7 to 9 points, superintendent, $1,400.
10 to 13 points, superintendent, $1,500.
14 to 18 points, superintendent, $1,600.
19 to 23 points, superintendent, $1,700.
24 to 32 points, superintendent, $1,800.
33 to 44 points, superintendent, $1,900.
45 to 64 points, superintendent, $2,000.
65 to 100 points, superintendent, $2,100.
101 to 150 points, superintendent, $2,200.
151 to 200 points, superintendent, $2,300.
201 to 350 points, superintendent, $2,400.
351 points and over, superintendent, $2,500.

(See Report of First Assistant Postmaster General.)

APPOINTMENT OF THIRD-CLASS POSTMASTERS.

In order that postmasters of the third class may be appointed directly by the Postmaster General instead of being appointed by the President and confirmed by the Senate, as now, it is recommended that Congress amend section 6 of the appropriation act approved July 12, 1876, to read as follows:

Postmasters of the first and second classes shall be appointed and may be removed by the President by and with the advice and consent of the Senate, and shall hold their offices for four years unless sooner removed or suspended ac-

cording to law; and postmasters of the third and fourth classes shall be appointed and may be removed by the Postmaster General, by whom all appointments and removals shall be notified to the Auditor for the Post Office Department.

Attention is directed to the discussion of this proposal contained in the report of the First Assistant Postmaster General.

EXTENSION OF THE SYSTEM OF TRANSPORTING PERIODICALS IN FAST FREIGHT TRAINS.

To enable the extension of the system of and to increase the economies effected by the transportation of second-class mail matter in fast freight trains where practicable:

So much of section 1 of the "Act making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1913, and for other purposes," approved August 24, 1912, which provides that the Post Office Department shall not extend or enlarge its present policy of sending second-class matter by freight trains is hereby repealed.

(See Report of Second Assistant Postmaster General.)

TRANSPORTATION OF MAIL BAGS IN MAIL TRAINS AT RAILROAD-MAIL RATES.

To amend existing law so as to extend the period during which the department may ship mail bags in mail trains at railroad-mail rates in emergencies:

And the Postmaster General in cases of emergency, between October first and April first of any year, may hereafter return to the mails empty mail bags theretofore withdrawn therefrom as required by law, and for such times may pay for their railroad transportation out of the appropriation for inland transportation by railroad routes at not exceeding the rate per pound per mile as shown by the last adjustment for mail service on the route over which they may be carried, and pay for necessary cartage out of the appropriation for freight or expressage.

(See Report of Second Assistant Postmaster General.)

SUBSTITUTION OF WEIGHTS OF MAILS FOR WEIGHTS NOT TAKEN OR OMITTED.

To enable the Postmaster General to substitute estimated weights in cases where, because of interruptions in service on account of floods or other causes, the weights taken are shown to have been below the normal or the mails were not weighed, the estimated weights to be based on the average weights for the normal period:

That when, during a weighing period, on account of floods or other causes, interruptions in service occur on railroad routes and weights of mail are decreased below the normal, or where there is an omission to take weights, the Postmaster General, for the purpose of readjusting compensation on such railroad routes as are affected thereby, is hereafter authorized, in his discretion, to add to the weights of mails ascertained on such routes during that part of the weighing period when conditions are shown to have been normal the estimated

weights for that part of the weighing period when conditions are shown to have been not normal or where there has been an omission to take weights, based upon the average of weights taken during that part of the weighing period during which conditions are shown to have been normal, the actual weights and the estimated weights to form the basis for the average weight per day upon which to readjust the compensation according to law on such railroad routes for the transportation of the mails, notwithstanding the provision of the act of Congress approved March third, nineteen hundred and five, requiring that the average weight shall be ascertained by the actual weighing of the mails for such a number of successive working days, not less than ninety, as the Postmaster General may direct: *Provided further*, That readjustments from July first, nineteen hundred and thirteen, may be made under this provision on routes in the first section affected by the floods in the Ohio Valley and tributary territories, commencing about March twenty-fifth, nineteen hundred and thirteen.

(See Report of Second Assistant Postmaster General.)

READJUSTMENTS FOR DIVERSIONS OF MAIL.

To amend existing law by repealing the provision of section 4 of the act of August 24, 1912, limiting readjustments for diversions of mails to cases where the diverted mails equal at least 10 per cent of the average daily weight on any of the routes affected:

So much of section four of "An act making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, nineteen hundred and thirteen, and for other purposes," approved August twenty-fourth, nineteen hundred and twelve, as provides that no adjustment shall be made unless the diverted mails equal at least ten per centum of the average daily weight on any of the routes affected is hereby repealed.

(See Report of Second Assistant Postmaster General.)

BIENNIAL PROMOTIONS OF RAILWAY POSTAL CLERKS.

To provide that railway postal clerks shall be promoted successively to the grades now provided by law, but that no such promotion shall be made unless the railway postal clerk to be promoted has served at least two years in the next lower grade, it is recommended that existing legislation be amended as follows:

From and after July 1, 1915, regular promotions of railway postal clerks now provided for by law shall be made, and promotions above these grades within the maximum grades of the classification may be made in the discretion of the Postmaster General for meritorious service, only at the beginning of the quarter following the expiration of two years' service in the next lower grade.

(See Report of Second Assistant Postmaster General.)

TRANSFER OF CLERKS FROM POST OFFICES TO THE RAILWAY MAIL SERVICE.

To provide for transferring clerks from post offices of the first and second classes to the Railway Mail Service at salaries higher than the lowest in the Railway Mail Service:

That hereafter the Postmaster General may transfer, under such regulations as he may prescribe, clerks from post offices of the first and second classes to

the Railway Mail Service at salaries not exceeding the salary which the clerks are receiving in the post offices at the time of such transfer.

(See Report of Second Assistant Postmaster General.)

EXPERIMENTAL AERIAL MAIL SERVICE.

To enable the Postmaster General to establish and maintain an experimental aerial mail service by aeroplanes or other devices:

That the Postmaster General may, in his discretion, contract for an experimental aerial mail service by aeroplanes or other devices without advertisement therefor.

(See Report of Second Assistant Postmaster General.)

DELEGATES TO INTERNATIONAL POSTAL UNION AT MADRID.

To provide for the continuance of the appropriation to provide for the expenses of two delegates to the International Postal Union at Madrid to be appointed by the Postmaster General from the Post Office Department:

The appropriation for two delegates to the International Postal Union at Madrid, to be appointed by the Postmaster General from the Post Office Department, made by the act of August 24, 1912, making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1913, and for other purposes, is hereby continued, and shall be available for such convention when it shall be held.

(See Report of Second Assistant Postmaster General.)

NEW METHOD OF FIXING RAILWAY MAIL PAY.

To provide a new and improved plan for the authorization and regulation of railroad mail service and fixing rates of compensation therefor:

That the Postmaster General is authorized and directed to readjust the compensation to be paid to railroad companies from —— day of ———, 191–, or as soon thereafter as may be practicable, for the transportation and handling of the mails and furnishing facilities and services in connection therewith upon the conditions and at the rates hereinafter provided.

The Postmaster General may state railroad mail routes and authorize mail service thereon of the following four classes, namely: Full railway post-office car service, apartment railway post-office car service, storage-car service, and closed-pouch service.

Full railway post-office car mail service shall be service by cars forty feet or more in length, constructed, fitted up, and maintained for the distribution of mails on trains. The authorizations of full railway post-office cars shall be for standard-sized cars sixty feet in length, inside measurement, except as hereinafter provided.

Apartment railway post-office car mail service shall be service by apartments less than forty feet in length in cars constructed, fitted up, and maintained for the distribution of mails on trains. Two standard sizes of apartment rail-

way post-office cars may be authorized and paid for, namely, apartments fifteen feet and thirty feet in length, inside measurement, except as hereinafter provided.

Storage-car mail service shall be service by cars used for the storage and carriage of mails in transit other than by full and apartment railway post-office cars. The authorizations for storage cars shall be for cars sixty feet in length, inside measurement, except as hereinafter provided: *Provided*, That less than sixty feet of storage space may be authorized in baggage cars.

Service by full and apartment railway post-office cars and storage cars shall include the carriage therein of all mail matter, equipment, and supplies for the mail service and the employees of the Postal Service or Post Office Department, as shall be directed by the Postmaster General to be so carried.

Closed-pouch mail service shall be the transportation and handling by railroad employees of mails on trains on which full or apartment railway post-office cars are not authorized, except as hereinbefore provided.

The rates of payment for the services authorized in accordance with this act shall be as follows, namely:

For full railway post-office car mail service at not exceeding 21 cents for each mile of service by a sixty-foot car.

In addition thereto he may allow not exceeding $2 as an initial rate and the same as a terminal rate for each one-way trip of a sixty-foot car.

For apartment railway post-office car mail service at not exceeding 10½ cents for each mile of service by a thirty-foot apartment car and 5½ cents for each mile of service by a fifteen-foot apartment car.

In addition thereto he may allow not exceeding $1 as an initial rate and the same as a terminal rate for each one-way trip of a thirty-foot apartment car and 50 cents as an initial rate and the same as a terminal rate for each one-way trip of a fifteen-foot apartment car.

For storage-car mail service at not exceeding 20 cents for each mile of service by a sixty-foot car.

In addition thereto he may allow not exceeding $2 as an initial rate and the same as a terminal rate for each one-way trip of a sixty-foot car.

Where authorizations are made for cars of the standard lengths of sixty, thirty, and fifteen feet, as provided by this act, and the railroad company is unable to furnish such cars of the length authorized, but furnishes cars of lesser length than those authorized, but which are determined by the department to be sufficient for the service, the Postmaster General may accept the same and pay only for the actual space furnished and used, the compensation to be not exceeding pro rata of that provided by this act for the standard length so authorized: *Provided*, That the Postmaster General may accept cars and apartments of greater length than those of the standard requested, but no compensation shall be allowed for such excess lengths.

For closed-pouch service, on routes upon which closed-pouch service only is performed, at not exceeding the rates of compensation provided by existing law for average daily weights of mail carried over the whole route; on routes upon which apartment railway post-office car and closed-pouch services are performed, at not exceeding $20 per mile per annum for each two thousand pounds average daily weight of mails carried, and at pro rata of such rate of compensation for each one hundred pounds of average daily weight greater or less than two thousand pounds; and on routes upon which full railway post-office car and closed-pouch services or full railway post-office car, apartment-car, and closed-pouch services are performed, at not exceeding $19 per mile per annum for each two thousand pounds average daily weight of mails carried, and at pro rata of such rate of compensation for each one hundred pounds of

average daily weight greater or less than two thousand pounds, the average daily weights to be ascertained in every case by the actual weighing of the mails.

The Postmaster General may require railroad companies carrying the mails to deliver them into and take them from the terminal and intermediate post offices and transfer them between railroad stations on their routes without additional compensation, under such regulations as he may deem proper, in cases where he does not provide for such service otherwise: *Provided*, That the Postmaster General in his discretion may relieve any of the roads of such service.

Railroad companies whose railroads were constructed in whole or in part by a land grant made by Congress, on the condition that the mails should be transported over their roads at such price as Congress should by law direct, shall receive only eighty per centum of the compensation otherwise authorized by this act.

The initial and terminal rates provided for herein shall cover expenses of loading and unloading mails, switching, lighting, heating, cleaning mail cars, and all other expenses incidental to station service and required by the Postmaster General in connection with the mails that are not included in the car-mile rate. The allowance for full railway post-office cars, apartment railway post-office cars, and storage cars may be varied in accordance with the approximate difference in their respective cost of construction and maintenance.

For the purpose of ascertaining the average weight of closed-pouch mails per day upon which to adjust compensation, the Postmaster General is authorized and directed to have such mails carried on the several routes weighed by the employees of the Post Office Department for such a number of successive days, not less than thirty-five, at such times after ——— first, nineteen hundred and ———, as he may direct, and not less frequently than once in every year thereafter, the result to be stated and certified in such form and manner as he may direct. In computing the average weight of mails per day carried on a railroad route, the whole number of days included in the weighing period shall be used as a divisor. The expense of taking the weights of mails and the compensation to tabulators and clerks employed in connection with the weighings, for assistance in completing computations, and of rental, if necessary, in Washington, District of Columbia, shall be paid out of the appropriation for inland transportation by railroad routes.

In computing the car miles of the full railway post-office cars and apartment railway post-office cars, the maximum space authorized in either direction of a round-trip car run shall be regarded as the space to be computed in both directions, unless otherwise mutually agreed upon.

In computing the car miles of storage cars, the maximum space authorized in either direction of a round-trip car run shall be regarded as the space to be computed in both directions, unless the car be used by the company in the return movement, or otherwise mutually agreed upon.

New service and additional service may be authorized at not exceeding the rates herein provided, and service may be reduced or discontinued with pro rata reductions in pay, as the needs of the Postal Service may require: *Provided*, That no additional pay shall be allowed for additional closed-pouch service on established routes until the next regular readjustment of pay therefor on such routes, and no additional pay shall be allowed for additional car service unless specifically authorized by the Postmaster General.

All cars or parts of cars used for the railroad mail service shall be of such construction, style, length, and character, and furnished in such manner as shall be required by the Postmaster General, and shall be constructed, fitted up,

maintained, heated, lighted, and cleaned by and at the expense of the railroad companies. No pay shall be allowed for service by any railway post-office car which is not sound in material and construction and which is not equipped with sanitary drinking water containers and toilet facilities, nor unless such car is regularly and thoroughly cleaned. No pay shall be allowed for service by any wooden full railway post-office car unless constructed substantially in accordance with the most approved plans and specifications of the Post Office Department for such type of cars, nor for service by any wooden full railway post-office car run in any train between adjoining steel cars, or between the engine and a steel car adjoining. After the first of July, nineteen hundred and seventeen, the Postmaster General shall not approve or allow to be used, or pay for service by, any full railway post-office car not constructed of steel or steel underframe or equally indestructible material, and not less than twenty-five per centum of the full railway post-office cars of a railway company not conforming to these provisions on August twenty-fourth, nineteen hundred and twelve, shall be replaced with cars constructed of steel annually after June, nineteen hundred and thirteen; and all full railway post-office cars accepted for this service and contracted for by the railroad companies hereafter shall be constructed of steel. Until July first, nineteen hundred and seventeen, in cases of emergency and in cases where the necessities of the service require it, the Postmaster General may provide for service by full railway post-office cars of other than steel or steel underframe construction, and fix therefor such rate of compensation within the maximum herein provided as shall give consideration to the inferior character of construction, and the railroad companies shall furnish service by such cars at such rates so fixed.

Service over property owned or controlled by another company or a terminal company shall be considered service of the railroad company using such property and not that of the other or terminal company: *Provided*, That service over a land-grant road shall be paid for as herein provided.

Railroad companies carrying the mails shall furnish all necessary facilities for caring for and handling them while in their custody. They shall furnish all cars or parts of cars used in the transportation and distribution of the mails, except as is herein otherwise provided, and place them in stations before the departure of trains at such times and when required to do so. They shall provide station space and rooms for handling, distribution, and transfer of mails in transit, and for offices and rooms for the employees of the Postal Service engaged in such transportation, when required by the Postmaster General.

Every railroad company carrying the mails shall carry on any train it operates and without extra charge therefor the persons in charge of the mails, and when on duty and traveling to and from duty, and all duly accredited agents and officers of the Post Office Department and the Postal Service, while traveling on official business, upon the exhibition of their credentials.

If any railroad company carrying the mails shall fail or refuse to provide cars or apartments in cars for distribution purposes when required by the Postmaster General, or shall fail or refuse to construct, fit up, maintain, heat, light, and clean such cars and provide such appliances for use in case of accident as may be required by the Postmaster General, it shall be fined such reasonable sum as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General shall in all cases decide upon what trains and in what manner the mails shall be conveyed. Every railroad company carrying the mails shall carry on any train it operates and with due speed all mailable

matter, equipment, and supplies directed to be carried thereon. If any such railroad company shall fail or refuse to transport the mails, equipment, and supplies when required by the Postmaster General on any train or trains it operates, such company shall be fined such reasonable amount as may, in the discretion of the Postmaster General, be deemed proper.

The Postmaster General may make deductions from the pay of railroad companies carrying the mails under the provisions of this act for reduction in service or in frequency of service where, in his judgment, the importance of the facilities withdrawn or reduced requires it, and impose fines upon them for delinquencies. He may deduct the price of the value of the service in cases where it is not performed, and not exceeding three times its value if the failure be occasioned by the fault of the railroad company.

The provisions of this act shall apply to service operated by railroad companies, partly by railroad, and partly by steamboats.

The provisions of this act respecting the rates of compensation shall not apply to mails conveyed under special arrangement in freight trains, for which rates not exceeding the usual and just freight rates may be paid, in accordance with the classifications and tariffs approved by the Interstate Commerce Commission.

Railroad companies carrying the mails shall submit under oath, when, and in such form as may be required by the Postmaster General, evidence as to the performance of service.

The Postmaster General is authorized to employ such clerical and other assistance as shall be necessary to carry out the provisions of this act, and to rent quarters in Washington, District of Columbia, if necessary, for the clerical force engaged thereon, and to pay for the same out of the appropriation for inland transportation by railroad routes.

The Postmaster General shall, from time to time, request information from the Interstate Commerce Commission as to the revenue received by railroad companies from express companies for services rendered in the transportation of express matter, and may, in his discretion, arrange for the transportation of mail matter other than of the first class at rates not exceeding those so ascertained and reported to him, and it shall be the duty of the railroad companies to carry such mail matter at such rates fixed by the Postmaster General.

The Postmaster General is authorized, in his discretion, to petition the Interstate Commerce Commission for the determination of a postal carload or less-than-carload rate for transportation of mail matter of the fourth class and periodicals, and may provide for and authorize such transportation, when practicable, at such rates, and it shall be the duty of the railroad companies to provide and perform such service at such rates and on the conditions prescribed by the Postmaster General.

The Postmaster General may, in his discretion, distinguish between the several classes of mail matter and provide for less frequent dispatches of mail matter of the third and fourth classes and periodicals, when lower rates for transportation or other economies may be secured thereby without material detriment to the service.

The Postmaster General is authorized to return to the mails, when practicable for the utilization of car space paid for and not needed for the mails, postal cards, stamped envelopes, newspaper wrappers, empty mail bags, furniture, equipment, and other supplies for the Postal Service .

The Postmaster General, in cases of emergency between October first and April first of any year, may hereafter return to the mails empty mail bags and

other equipment theretofore withdrawn therefrom as required by law, and, where such return requires additional authorization of car space under the provisions of this act, to pay for the transportation thereof as provided for herein out of the appropriation for inland transportation by railroad routes.

The Postmaster General may have the weights of mail taken on railroad-mail routes, and computations of the average loads of the several classes of cars and other computations for statistical and administrative purposes made at such times as he may elect, and pay the expense thereof out of the appropriation for inland transportation by railroad routes.

It shall be unlawful for any railroad company to refuse to perform mail service at the rates of compensation provided by law when and for the period required by the Postmaster General so to do, and for every such offense it shall be fined not exceeding $5,000.

That the unexpended balances of the appropriations for inland transportation by railroad routes and for railway post-office car service, by the act of March ninth, nineteen hundred and fourteen, making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, nineteen hundred and fifteen, and for other purposes, are hereby made available for the purposes of this act.

(See Report of Second Assistant Postmaster General.)

ADDITIONAL COMPENSATION TO RAILROADS FOR TRANSPORTATION OF PARCEL-POST MAILS.

To enable the allowance of additional compensation on railroad routes from August 15, 1913, on account of the extension of weight limit and change in rates on parcel-post matter:

That on account of the increased weight of mails resulting from Postmaster General Order Numbered seventy-three hundred and forty-nine, of July twenty-fifth, nineteen hundred and thirteen, respecting rates upon and limit of weight of parcel-post packages in the local, first, and second zones, and effective from August fifteenth, nineteen hundred and thirteen, the Postmaster General is authorized to add to the compensation paid for transportation on railroad routes on and after August fifteenth, nineteen hundred and thirteen, for the remainder of the contract terms, not exceeding one-half of one per centum thereof per annum.

To enable the Postmaster General to make allowance of additional compensation on railroad routes from January 1, 1914, for the additional weight of mails carried as a result of the extension of weight limit and reduction in rates on parcel-post mails effective from that date:

That on account of the increased weight of mails resulting from Postmaster General's Order No. 7720, of December eighteenth, nineteen hundred and thirteen, respecting rates upon and limit of weight of parcel-post packages effective from January first, nineteen hundred and fourteen, the Postmaster General is authorized to add to the compensation paid for transportation on railroad routes on and after January first, nineteen hundred and fourteen, for the remainder of the contract terms, not exceeding one per centum thereof per annum.

ADVANCE PAYMENT FOR THE PRINTING OF POSTAGE STAMPS.

To enable the department to make advance payment for the printing of postage stamps to the Bureau of Engraving and Printing:

That the appropriation for the manufacture of postage stamps be so amended that advance payment can be made to the Director of the Bureau of Engraving and Printing for the printing of postage stamps.

EXTENSION OF PRIVILEGE OF MAILING MATTER WITHOUT STAMPS AFFIXED.

To reduce the minimum number of pieces of third and fourth class matter which may be accepted for mailing without stamps affixed, the postage being collected in money, and to extend such privilege to matter of the second class mailed at the special rates of 1 cent and 2 cents a copy.

That section 2 of the act of April 28, 1904 (ch. 1759, 33 Stat., 440), be amended to read as follows:

That under such regulations as the Postmaster General may establish for the collection of the lawful revenue and for facilitating the handling of such matter in the mails it shall be lawful to accept for transmission in the mails quantities of not less than 500 identical pieces of third-class matter and of second-class matter mailed at the special rates of one cent and two cents a copy and of 250 identical pieces of fourth-class matter without postage stamps affixed: *Provided*, That postage shall be fully prepaid thereon at the rate required by law for a single piece of such matter.

(See Report of the Third Assistant Postmaster General.)

MODIFICATION OF LIMITATION ON A POSTAL-SAVINGS DEPOSIT.

To modify the restrictions on the amount that may be accepted from a postal-savings depositor, with the proviso that interest shall not be paid on more than $1,000:

That such part of section six of the act approved June twenty-fifth, nineteen hundred and ten; authorizing a system of postal savings depositories, as reads "but no one shall be permitted to deposit more than $100 in any one calendar month," is hereby amended to read as follows: "but the balance to the credit of any person, upon which interest is payable, shall not exceed $1,000, exclusive of accumulated interest;" and said act is further amended so as to repeal the proviso in section seven thereof and insert in lieu of such proviso the following: "*Provided*, That the board of trustees may, in their discretion, and under such regulations as such board may promulgate, accept additional deposits not to exceed in the aggregate $1,000 for each depositor but upon which no interest shall be paid."

(See Report of Third Assistant Postmaster General.)

PAYMENT TO CARRIER WHEN CONTRACTOR FOR STAR SERVICE FAILS TO PAY.

To enable the department to expedite payments to carriers on star mail routes who have performed service for contractors and have not been paid the amounts due them.

That the third proviso of the act of May 4, 1882 (22 Stat. L., ch. 116, p. 54), be amended as follows:

If any person shall hereafter perform any service for any contractor or subcontractor in carrying the mail, he shall, upon filing in the department his contract for such service and satisfactory evidence of its performance, thereafter have a lien on any money due such contractor or subcontractor for such service to the amount of same; and if such contractor or subcontractor shall fail to pay the party or parties who have performed service as aforesaid the amount due for such service within two months after the expiration of the *month* in which such service shall have been performed the Postmaster General may cause the amount due to be paid said party or parties and charged to the contractor: *Provided*, That such payment shall not in any case exceed the rate of pay per annum of the contractor or subcontractor.

(See Report of Fourth Assistant Postmaster General.)

TEMPORARY STAR SERVICE.

To provide for temporary service on star routes when necessary:

Whenever an accepted bidder shall fail to enter into contract, or a contractor on any mail route shall fail or refuse to perform the service on said route according to his contract, or when a new route shall be established or new service required, or when, from any other cause, there shall not be a contractor legally bound or required to perform such service, the Postmaster General may make a temporary contract for carrying the mail on such route, without advertisement, for such period as may be necessary, not in any case exceeding one year, until the service shall have commenced under a contract made according to law: *Provided*, That the cost of temporary service rendered necessary by reason of the failure of any accepted bidder to enter into contract or a contractor to perform service shall be charged to such bidder or contractor.

All acts or parts of acts inconsistent with the provisions of this act are hereby repealed.

(See Report of Fourth Assistant Postmaster General.)

TRANSPORTATION FOR STAR SERVICE.

To permit the department to prescribe the mode of transportation where necessary on star mail routes.

That section 3949 of the Revised Statutes be amended to read as follows:

All contracts for carrying the mail should be in the name of the United States, and shall be awarded to the lowest bidder tendering sufficient guaranties for faithful performance in accordance with the terms of the advertisement: *Provided, however*, That such contracts require due celerity, certainty, and security in the performance of the service; but the Postmaster General shall not be bound to consider the bid of any person who has willfully or negligently failed to perform a former contract.

(See Report of Fourth Assistant Postmaster General.)

PROTECTION OF MAIL BOXES.

To give ample protection to all boxes intended or used for the receipt or delivery of mail on any mail route.

That the act of March 4, 1909 (ch. 321, sec. 198, 35 Stat., 1126), be amended to read as follows:

Whoever shall willfully or maliciously injure, tear down, or destroy any letter box or other receptacle intended or used for the receipt or delivery of mail on any mail route, or shall break open the same, or shall willfully or maliciously injure, deface, or destroy any mail deposited therein, or shall willfully take or steal such mail from or out of such letter box or other receptacle, or shall willfully aid or assist in any of the aforementioned offenses, shall for every such offense be punished by a fine of not more than $1,000 or by imprisonment for not more than three years.

(See Report of Fourth Assistant Postmaster General.)

DISPOSITION OF DEAD MAIL.

To facilitate the disposition of undeliverable letters and to avoid their accumulation in the department beyond a period when reclamation is not desired.

That section 3938 of the Revised Statutes be amended to read as follows:

All letters of domestic origin which can not be delivered by postmasters shall be sent to the Post Office Department, and such as contain inclosures of value, other than correspondence, shall be recorded. If the sender or addressee can not be identified, such letters shall be held for a period of one year awaiting reclamation. If within one year they have not been claimed, they shall be disposed of as the Postmaster General may direct.

All other undeliverable letters shall be disposed of without record and not held for reclamation.

(See Report of Fourth Assistant Postmaster General.)

STAR SERVICE UNDER SPECIAL CONDITIONS.

To authorize the Postmaster General to provide star-route service in case bids are exorbitant or unreasonable:

That whenever in the judgment of the Postmaster General the bids received for any star route are exorbitant or unreasonable, or whenever he has reason to believe that a combination of bidders has been entered into to fix the rate for star-route service, the Postmaster General be, and he is hereby, authorized, out of the appropriation for inland transportation by star routes, to employ and use such means or methods to provide the desired service as he may deem expedient, without reference to existing law or laws respecting the employment of personal service or the procurement of conveyances, materials, or supplies.

(See Report of Fourth Assistant Postmaster General.)

EXTRA PAY, RURAL CARRIERS.

To provide increased pay for rural carriers furnishing their own motor vehicles and serving routes of 50 miles or more in length:

That, in the discretion of the Postmaster General, the pay of carriers who furnish and maintain their own motor vehicles and who serve routes not less than fifty miles in length may be fixed at not exceeding two thousand dollars per annum.

(See Report of Fourth Assistant Postmaster General.)

PAY OF RURAL CARRIERS FOR VILLAGE DELIVERY.

To provide additional pay to rural carriers engaged in village delivery:

That the Postmaster General be, and he is hereby, authorized to pay an additional compensation to rural carriers, out of the appropriation for village delivery service, a sum not to exceed $150 per annum in any individual case for delivering mail at second and third class post offices not now by law entitled to free delivery service.

(See Report of Fourth Assistant Postmaster General.)

FRAUDULENT DEVICES AND LOTTERY PARAPHERNALIA.

To exclude from the mails fraudulent devices and lottery paraphernalia, and matter relating thereto, amend section 3929, Revised Statutes, as amended, to read as follows:

SEC. 3929. The Postmaster General may, upon evidence satisfactory to him that any person or company is engaged in conducting any lottery, gift enterprise, or similar scheme offering prizes dependent in whole or in part upon lot or chance, or that any person or company is conducting any other scheme or device for obtaining money or property of any kind through the mails by means of false or fraudulent pretenses, representations, or promises, or that any person or company is sending through the mails paraphernalia designed or intended for the conduct of a lottery, or matter relating thereto, or that any person or company is selling or offering for sale through the mails "unfair" or cheating gambling devices or appliances, or is sending such devices or appliances through the mails, instruct postmasters at any post office at which letters or other matter may arrive directed to any such person or company, or to the agent or representative of any such person or company, whether such agent or representative is acting as an individual or as a firm, bank, corporation, or association of any kind, to return all such registered letters to the postmaster at the office at which they were originally mailed, with the word "fraudulent" plainly written or stamped upon the outside thereof, and all such letters so returned to such postmasters shall be by them returned to the writers thereof under such regulations as the Postmaster General may prescribe. But nothing contained in this section shall be so construed as to authorize any postmaster or other person to open any letter not addressed to himself. The public advertisement by such person or company so conducting such lottery, gift enterprise, scheme, or device that remittances for the same may be made by registered letters to any other person, firm, bank, corporation, or association named therein shall be held to be prima facie evidence of the existence of said agency by all the

parties named therein; but the Postmaster General shall not be precluded from ascertaining the existence of such agency in any other legal way satisfactory to himself.

Amend section 4041, Revised Statutes, as amended, to read as follows:

SEC. 4041. The Postmaster General may, upon evidence satisfactory to him that any person or company is engaged in conducting any lottery, gift enterprise, or similar scheme offering prizes dependent in whole or in part upon lot or chance, or that any person or company is conducting any other scheme for obtaining money or property of any kind through the mails by means of false or fraudulent pretenses, representations, or promises, or that any person or company is sending through the mails paraphernalia designed or intended for the conduct of a lottery, or matter relating thereto, or that any person or company is selling or offering for sale through the mails "unfair" or cheating gambling devices or appliances, or is sending such devices or appliances through the mails, forbid the payment by any postmaster to said person or company of any postal money orders drawn to his or its order, or in his or its favor, or to the agent of any such person or company, whether such agent is acting as an individual or as a firm, bank, corporation, or association of any kind, and may provide by regulation for the return to the remitters of the sums named in such money orders. But this shall not authorize any person to open any letter not addressed to himself. The public advertisement by such person or company so conducting any such lottery, gift enterprise, scheme, or device, that remittances for the same may be made by means of postal money orders to any other person, firm, bank, corporation, or association named therein shall be held to be prima facie evidence of the existence of said agency by all the parties named therein; but the Postmaster General shall not be precluded from ascertaining the existence of such agency in any other legal way.

Amend section 213, act of March 4, 1909 (Criminal Code), to read as follows:

SEC. 213. No letter, package, postal card, or circular concerning any lottery, gift enterprise, or similar scheme offering prizes dependent in whole or in part upon lot or chance; and no lottery ticket or part thereof, or paper, certificate, or instrument purporting to be or to represent a ticket, chance, share, or interest in or dependent upon the event of a lottery, gift enterprise, or similar scheme offering prizes dependent in whole or in part upon lot or chance; and no paraphernalia designed or intended for the conduct of such a scheme, or matter relating thereto; and no check, draft, bill, money, postal note, or money order, for the purchase of any ticket or part thereof, or of any share or chance in any such lottery, gift enterprise, or scheme; and no newspaper, circular, pamphlet, or publication of any kind containing any advertisement of any lottery, gift enterprise, or scheme of any kind offering prizes dependent in whole or in part upon lot or chance, or containing any list of the prizes drawn or awarded by means of any such lottery, gift enterprise, or scheme, whether said list contains any part or all of such prizes, shall be deposited in or carried by the mails of the United States or be delivered by any postmaster or letter carrier. Whoever shall knowingly deposit or cause to be deposited, or shall knowingly send or cause to be sent, anything to be conveyed or delivered by mail in violation of the provisions of this section, or shall knowingly deliver or cause to be delivered by mail anything herein forbidden to be carried by mail, shall be fined not more than one thousand dollars, or imprisoned not more than two years, or both; and for any subsequent offense shall be imprisoned not more

than five years. Any person violating any provision of this section may be tried and punished either in the district in which the unlawful matter or publication was mailed, or to which it was carried by mail for delivery according to the direction thereon, or in which it was caused to be delivered by mail to the person to whom it was addressed.

And amend section 215, act of March 4, 1909 (criminal code), to read as follows:

SEC. 215. Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, or to sell, dispose of, loan, exchange, alter, give away, distribute, supply, or furnish or procure for unlawful use any counterfeit or spurious coin, bank note, paper money, or any obligation or security of the United States, or of any State, Territory, municipality, company, corporation, or person, or anything represented to be or intimated or held out to be such counterfeit or spurious article, or any cheating, gambling device or appliance, or any scheme or artifice to obtain money by or through correspondence, by what is commonly called the "sawdust swindle," or "counterfeit-money fraud," or by dealing or pretending to deal in what is commonly called "green articles," "green coin," "green goods," "bills," "paper goods," "spurious Treasury notes," "United States goods," "green cigars," or any other names or terms intended to be understood as relating to such counterfeit or spurious articles, shall, for the purpose of executing such scheme or artifice or attempting so to do, place, or cause to be placed, any letter, postal card, package, writing, circular, pamphlet, or advertisement, whether addressed to any person residing within or outside the United States, in any post office, or station thereof, or street or other letter box of the United States, or authorized depository for mail matter, to be sent or delivered by the post office establishment of the United States, or shall take or receive any such therefrom, whether mailed within or without the United States, or shall knowingly cause to be delivered by mail according to the direction thereon, or at the place at which it is directed to be delivered by the person to whom it is addressed, any such letter, postal card, package, writing, circular, pamphlet, or advertisement, shall be fined not more than $1,000, or imprisoned not more than five years, or both.

NAVY MAIL CLERKS.

To authorize the reimbursement of Navy mail clerks and assistant Navy mail clerks for certain losses of postage stamps, postal funds, money-order funds, and certain other Government property:

That the act approved January 21, 1914 (Public, 49), authorizing the Postmaster General to adjust certain claims of postmasters for loss by burglary, fire, or other unavoidable casualty, be so amended as to include Navy mail clerks and assistant Navy mail clerks.

(See report of Solicitor for the Post Office Department.)

For a more detailed account of the operations of the several branches of the Postal Service during the year attention is invited to the annual reports of the four Assistant Postmasters General, the Solicitor for the Post Office Department, the Purchasing Agent, and the Chief Inspector.

Respectfully,

A. S. BURLESON,
Postmaster General.

REPORT OF THE FIRST ASSISTANT POSTMASTER GENERAL.

POST OFFICE DEPARTMENT,
FIRST ASSISTANT POSTMASTER GENERAL,
Washington, October 15, 1914.

SIR: I have the honor to submit the annual report of this bureau for the fiscal year ended June 30, 1914.

SCOPE OF WORK.

The field of postal operations over which this bureau exercises general supervision is commonly known as "the post-office service." This term readily distinguishes it from the mail-transportation service and the delivery service in rural districts, but requires careful definition in the interest of accuracy. The post-office service handles the mails when not in course of transportation or rural delivery, and embraces jurisdiction over the personnel of post offices, including postmasters,[1] assistant postmasters, superintendents and foremen, post-office clerks, city delivery carriers, and special-delivery messengers. It is charged with the organization and management of post offices, the collection and delivery of mail in cities, the securing of post-office quarters, and the authorization of expenditures in connection therewith. The scope of work assigned to the bureau is set forth in detail in section 11 of the Postal Laws and Regulations.

This outline of the scope of the operations of this bureau reveals an evident defect in that it shows a divided authority over similar subject matter, and there would appear to be no defense of the division of authority over the delivery of mail. The assembling of all parts of this service under the immediate supervision of one Assistant Postmaster General would be logical and clearly in the interest of better administration.

STATISTICS OF GROWTH AND EXTENSION.

The increase in the volume of mail handled by the post-office service is reflected by the increase in the gross postal revenues. For the fiscal year 1914 the audited gross revenues of the postal service amounted to $287,934,565.67, which compares with $266,619,525.65 for 1913, showing an increase of $21,315,040.02, or 7.99 per cent.

During 1914 the number of first-class offices increased from 485 to 521; second-class offices from 1,979 to 2,081; and third-class offices from 5,942 to 6,044.

New fourth-class offices were established during the year at 1,185 places, but a net reduction is shown in the number of fourth-class offices from 49,613 to 48,164, due to the continued extension under the Bureau of the Fourth Assistant Postmaster General of the Rural Mail Service, and to the policy of the department to consolidate small offices when this is found to be in the interest of better postal service.

During the year the total number of post offices having delivery service by city letter carriers increased from 1,675 to 1,759.

[1] Postmasters, it is to be noted, act under the direction of and report to other bureaus of the department in relation to matters within the jurisdiction of those bureaus.

The number of regular clerks at first and second class post offices was increased during the year from 35,486 to 37,993, and the number of city delivery carriers from 30,923 to 32,292. For substitute and auxiliary service, at the same offices, the expenditure for 1914 was $4,314,471.87.

UNUSUAL CONDITIONS.

The parcel post, in addition to increasing materially the volume of the mails, has injected into the post-office service unusual conditions, making necessary the application of new and untried methods. The task of this bureau in adjusting the service to the legislation of August 24, 1912, requiring on and after March 4, 1913, that the 8-hour daily service of city delivery carriers and clerks at first and second class offices should be so arranged as not to extend over a period of more than 10 hours has been accomplished, but under trying and difficult circumstances. The cost of administration has been naturally greatly increased because of this law, as well as by the legislation increasing the entrance salaries of clerks and carriers from $600 to $800.

Measures adopted and results.—These unusual conditions have been successfully met and the post-office service satisfactorily administered by the introduction of improved methods and by encouraging closer cooperation between this bureau and the postmasters and between the postmasters and the public.

A campaign for the reorganization of post offices along the lines of definitely formulated plans and for the standardization of equipment and methods has been undertaken and vigorously prosecuted during the past year. The results obtained thus far warrant the continuation of this field work until its benefits have been established in every post office. It is largely due to the work already done along this line, which is detailed later in the body of this report, that complaints of unsatisfactory service have well-nigh disappeared, and that the service is probably in better condition financially and institutionally than ever before in its history.

PARCEL POST.

A great increase in parcel-post traffic has resulted from the changes in regulations and rates effected during the past year and from the growing popularity of the service. During 15-day periods in October, 1913, and in April, 1914, parcels received and dispatched at the 50 largest post offices were weighed and counted for statistical purposes.[1] The number of pieces mailed at these offices during the half-month period in October, 1913, was 10,935,641, and in the half-month period in April, 1914, the corresponding number was 26,884,940. The amounts of postage paid on these mailings were, respectively, $1,096,988.92 and $1,401,314.45, the average postage per parcel having decreased from 10 cents to 5.1 cents, due to reductions in rates and to a disproportionate increase in the volume of small parcels following the admission of books and pamphlets as fourth-class mail. The cost of clerk hire for handling parcels in these post offices decreased in the same time from forty-four one-hundredths ($0.0044) to three-tenths ($0.003) of a cent per parcel.

[1] The results of these tests are stated in Appendix B.

On August 15, 1913, the rates on parcel-post matter were materially lowered and the weight limit in the first and second zones increased from 11 to 20 pounds. Again, on January 1, 1914, further reductions in rates became effective, as well as increases in the weight limit of from 20 to 50 pounds in the first and second zones and from 11 to 20 pounds in the other zones. On March 9, 1914, seeds, cuttings, bulbs, etc., were admitted to the mails as parcel-post matter, and on March 16, 1914, books and pamphlets were also included.

On March 25, 1914, the experiment was inaugurated in 12 designated cities of bringing together the producers and consumers of farm products through the medium of the post offices and of encouraging the shipment of such articles by parcel post. Farmers and truck gardeners were invited to furnish their names and addresses to the postmasters conducting the experiment and to state the kinds and prices of the commodities they had for sale. Lists of those who offered farm produce for sale by parcel post were placarded in public places and also circulated among city patrons who would be likely to make purchases. Encouraging reports have been received from a number of these offices, and it is believed that the scheme will prove a success and be of great benefit to the householder, as well as to the farmer. In this way the farmer may establish a regular market for his produce, while the consumer will be afforded an opportunity of securing fresh vegetables, butter, eggs, poultry, and many other food products direct from the original source of supply. The farmer must, however, be willing to allow the consumer a portion of the amount which otherwise would go to the commission merchant, so as to make it worth while for the consumer to deal direct with the producer.

The delivery feature of the parcel post has received careful and unremitting study with a view to reducing the cost to the minimum consistent with the highest degree of effectiveness. Parcels too heavy or bulky to be handled by regular carriers on foot have been delivered by means of vehicles. As a rule horse-drawn vehicles are used in this service, but in cities of extensive area it has been found economical and advisable to employ automobiles to a limited extent.

The average cost of delivering parcels has been gradually reduced during the year not only by the increased volume of business, which has been handled without proportionate additional facilities, but also by improved methods, which are described later on in this report. Data gathered in April last showed the average cost of delivery per parcel at all city delivery offices to be five cents ($0.05) for those delivered by automobile, two and eight-tenths cents ($0.028) for those delivered by horse-drawn vehicles, and eight-tenths of a cent ($0.008) for all parcels delivered. These statistics show by comparison with the corresponding costs in October, 1913, that while the cost of delivery by automobile remains constant, there has been an average saving of half a cent in the cost of deliveries by horse-drawn vehicles and of eighteen one-hundredths of a cent in the cost for all parcels delivered.

In the larger cities the number of daily deliveries by these special facilities is limited generally to two in business sections and one in residential sections, and in smaller cities to one throughout the entire delivery districts. Special effort is made to effect prompt de-

livery of all perishable merchandise. Postmasters have been instructed to accord special treatment to such matter received on Saturday evenings and on Sundays. Inasmuch as no deliveries are made by regular carriers on Sundays it is necessary to employ substitutes for this purpose. At larger offices delivery of perishable matter on Saturday evenings and on Sundays is effected to a considerable extent with little or no additional cost by utilizing the facilities employed for making collections of mail.

The task of handling the holiday mail last December was the crucial test of the capacity of the postal organization to conduct the parcel post successfully under emergency conditions. Anticipating the extraordinary volume of mail to be handled during that season by reason of the parcel-post traffic appropriate instructions were issued to postmasters directing careful study of the situation with a view to augmenting ordinary forces and facilities so as to provide such a systematic handling of the mail as would insure its prompt delivery. The result was an achievement wholly unexpected by the public, the delivery of the mail, with few exceptions, being completed before the close of business on Christmas Day, although many post offices reported an increase in the volume of mail amounting to from 200 to 500 per cent. Instances of congestion, delay, or unsatisfactory service of any kind were conspicuously few and less than in former years. The performance of the Postal Service in thus meeting successfully at practically every point an unprecedented and general emergency condition affords a striking and conclusive demonstration of postal efficiency.

The vast addition to the volume of the mail caused by parcel post disclosed the need for improvement in methods and reorganization of personnel. Accordingly the Postmaster General directed that commissions of postal experts under the supervision of this bureau be dispatched to principal points to study carefully existing methods and to ascertain the best means of performing every postal operation and the best plan of organization and work. As rapidly as the recommendations of these experts have been put into effect and found successful at initial points, they have been applied wherever conditions were known to be similar. The establishment of the parcel post has therefore made possible an effective campaign for the standardization of methods and equipment and the most compact organization of personnel, greatly enhancing the efficiency of the entire Postal Service.

A significant indication of the enthusiasm of the postmasters in promoting the new service has been the holding of parcel-post exhibits at a large number of State and county fairs during the current year. In response to repeated inquiries and requests, the department issued a general letter authorizing postmasters to prepare and present such exhibits if it could be done without expense to the Government and consistently with a proper performance of their official duties. Under this limited authority a large number of exceptionally good demonstrations of the parcel post service have been made to the people in many of the States.

REORGANIZATION AND STANDARDIZATION OF POST OFFICES.

In the last annual report of this bureau attention was directed to the need in post offices for standardized equipment, uniform meth-

ods, and effective organizations of personnel, and mention was made of the program projected for effecting a general improvement in the service along these lines. During the past year four commissions, consisting of post-office inspectors and representatives of this bureau, have been continuously engaged on this work. Comprehensive reports have been submitted to the department based on thorough investigations of the post offices at Philadelphia, Boston, St. Louis, Cleveland, San Francisco, Detroit, Cincinnati, Minneapolis, Buffalo, Los Angeles, Indianapolis, Atlanta, Denver, Rochester, New Orleans, Louisville, Portland (Oreg.), Seattle, Richmond, Syracuse, Nashville, Jacksonville, Spokane, Oklahoma, Salt Lake City, San Diego, and Little Rock. As a result these offices have been reorganized, and many of the improvements worked out have been promulgated for the benefit of all post offices by means of mandatory circular letters.

The service at post offices has been improved not only by the field work of these commissions and by the circularizing of postmasters by the department to the end of systematizing and standardizing methods, but by enlisting the cooperation of the public, especially those who are large users of the postal facilities. Postmasters have been induced to get in touch with civic bodies to secure their cooperation and to invite suggestions for the betterment of the local postal service. Business firms that formerly deposited their outgoing mail only once daily, and then frequently at the rush periods, have been shown the advantage of distributing their mailings throughout the day. Wherever practicable, the use of precanceled stamps has been encouraged and facilitated. Large mailers have been invited to separate their mail by States and to "face" it, in order to expedite dispatch, and those patrons who have induced by their advertising the mailing to them of insufficiently addressed mail have been shown that this practice results in delay to them as well as in loss to the post office in performing directory service.

The campaign for reorganizing and standardizing the post-office service has saved in the aggregate the services of hundreds of employees and effected other important economies, such as making unnecessary the leasing of additional quarters by bringing about a more compact arrangement of existing space. By thus reorganizing offices the service is conducted in a more economical and efficient manner, as is well demonstrated in the case of the post office at Atlanta, Ga., one of the initial points in the campaign for reorganization and standardization. The receipts at Atlanta for the quarter ended June 30, 1914, showed an increase of 10 per cent over the corresponding quarter of last year, but the cost of the service at that office increased less than 2 per cent.

Another important feature of this work has been the laying out of city carrier routes so that every carrier can be effectively utilized for full eight hours and to the end that the maximum amount of mail is disposed of at each collection and delivery.

DELIVERY AND COLLECTION SERVICE.

The appointment this year of 1,377 additional carriers, of whom 187 were necessary to establish new service in 84 towns and cities, is evidence of the unusual growth of the City Delivery Service during the last fiscal year. The enlargement of the force has been made

necessary on account of the continuation of service similar in character to that maintained prior to the enactment of the 8-hour-in-10 law, and by the increased volume of parcel-post traffic.

The law permits the employment of letter carriers for the delivery and collection of mail at any place containing within its corporate limits a population of not less than 10,000, or at any post office which has produced gross revenue of not less than $10,000 during the fiscal year preceding the date on which such service is established. Included in this gross revenue are the receipts from the rental of post-office boxes.

The establishment of delivery service is naturally followed by a decrease in box rents, and this decrease is generally too great to be offset by the increase in revenue incident to the abolishment of the drop rate of 1 cent an ounce on local letters. The operation in some cities of one or two large industries frequently causes the post office to produce revenue of as much as $10,000, although the population of the city is so small or sparse as not to admit of efficient service at reasonable cost. Under this law it is held that city delivery service shall not be established at a post office until the department has been convinced that the postal receipts will be maintained at not less than $10,000 a year and that efficient service can be rendered at reasonable cost.

The delivery of heavy and bulky parcels has been effected mainly by substitute carriers paid at the rate of 35 cents an hour for the actual time employed. These substitutes as a rule are provided with horse-drawn or motor vehicles.

With the increasing bulk of the mail, caused by the increasing circulation of magazines and periodicals and the development of the parcel post it has been necessary to protect the foot carriers from unduly heavy loads. This has been accomplished by transporting in both delivery and collection vehicles and depositing in street storage boxes portions of the foot-carriers loads. Rural carriers also have been utilized in this plan. In this way the delivery carrier departs from the post office or station to which he is attached with only such mail as is destined for delivery between the beginning of his route and the location of the storage box. Upon reaching the storage box he removes therefrom and proceeds with the delivery of the remaining portion of his mail which has already been routed and strapped in bundles.

The collection of mail from street letter boxes has not received in the past the attention its importance warrants. Complaints of delay in delivery are very frequently due to inadequate collection service in the cities in which the mail originates. Special attention has therefore been given this year to an arrangement of collection schedules, with particular reference to the dispatch of important mails and the prompt disposition of mail for local delivery. This service has also been made more effective by increasing the number of collections and using horse-drawn or motor vehicles to expedite the transportation of the mail to post offices, and thus advance its dispatch.

The collection of parcel-post matter from stations designated to receive such matter has been extended as rapidly as the volume of traffic and the need for convenient places of deposit have required.

Location of deposit boxes.—The exhaustive study made of the city delivery service during the last year disclosed great need for a clearly

defined policy with respect to the location of street letter and package boxes. In the absence of such a policy in the past, postmasters, in their zeal to afford adequate deposit facilities, have distributed boxes without proper regard for efficient and economical collection service and local traffic regulations. The consequence is that the department is now required to maintain collection service at a cost disproportionate to its effectiveness. This is especially true in the larger cities where the collection and delivery services are performed by separate corps of men, and where during the evening hours when the volume of mail is heaviest much of the collection service is performed by means of vehicles. After careful study it has been decided to put into effect as speedily as practicable a system under which deposit boxes will be located with the sole object in view of affording convenient facilities for the general public, a direct and expeditious route for the collector, and in conformity with local traffic regulations. Such a system is not only consistent with the objective of the department to afford universally satisfactory postal facilities but it will undoubtedly reflect its merit in a material reduction in the cost of maintaining collection service.

Automobile service.—Prior to the establishment of the parcel post, the principal use of automobiles in the Postal Service was for collecting mail from street-letter boxes. Since that time, owing to the growing use of motor vehicles in commercial businesses, careful consideration has been given to the expediency of employing automobiles for delivering heavy and bulky parcels.

The most satisfactory plan thus far evolved for securing motor equipment generally is through annual allowances to carriers. The carrier not only furnishes the equipment but operates it himself. In this way the cost of driving is eliminated, and the personal interest of the carrier in the equipment materially reduces the cost of maintenance.

Because of economies possible in the wider field now afforded for the use of automobiles in the Postal Service, an inquiry has been instituted during the past year into the desirability of Government ownership of these vehicles.

Government-owned motor vehicles.—For the purpose of determining the comparative cost in operating rented and Government-owned motor vehicles, out of funds available from a special appropriation for parcel-post equipment, the department purchased and introduced in the parcel-post delivery and general collection service 20 four-wheeled motor vehicles of 1,500 pounds capacity and 21 three-wheeled motor vehicles of 800 pounds capacity.

This equipment has been in operation less than one year, and the experiment has probably not progressed sufficiently to justify conclusions as to the comparative cost of maintaining service with owned and with rented motor vehicles.

This experiment, however, suggests the advisability of instituting an investigation to determine whether it would be in the interest of efficiency and economy to operate, under one management in at least some of the city delivery offices, conveyances for the combined delivery and collection of mail and the transfer of mail between railroad depots and post offices and between post offices and postal stations.

Standardization of equipment.—Economy of time and labor has for many years justified the employment of vehicles for the delivery

and collection of mail in territory where the population is widely scattered or in congested districts where deposits of mail are exceedingly heavy. Regular appropriation acts have provided funds only for the rental of such vehicles, and consequently they have been secured either by allowances paid to individual carriers owning and using the equipment or by contracts where the number of equipments needed has made this means feasible.

The greater proportion of vehicles are furnished by individual carriers. In the absence of definite instructions it has been the practice for each carrier to furnish equipment according to his own ideas, except in a few cities where postmasters have required the use of uniform equipment. In cities where vehicles have been furnished under formal contracts they have been constructed in accordance with the plans of local postmasters, designed to secure vehicles adapted to local conditions. The lack of a definite policy has resulted in the use throughout the service of widely varying types of vehicles, and many of the equipments have not been well adapted to the Postal Service and in many cases have been discreditable in appearance.

With a view to improving this condition and ultimately providing standard equipment for the delivery and collection service throughout the country, an order was promulgated on January 20 last, after careful consideration of the subject, embodying specifications for three types of vehicles, as follows:

(1) A delivery wagon for use by carriers delivering mail in sparsely settled sections. This wagon is also adapted to use by carriers assigned exclusively to the collection of mail.

(2) A special collection wagon for use in making collections in congested sections of the large cities, where on account of traffic conditions time is saved by a vehicle which can be turned within a short radius.

(3) A parcel-post wagon for use in the delivery and collection of parcels too heavy or bulky to be handled by foot carriers. Two sizes of this wagon are specified, either of which may be drawn by one horse.

Postmasters have been instructed to require carriers when renewing equipment to be governed by these specifications; and all contracts executed since the issuance of the order provide for the standard vehicles.

The specifications also prescribe the colors for the different parts and the lettering.

Thus the service is gradually being equipped with vehicles creditable in appearance and uniform in type, which will not only maintain the dignity of the Government but in time will become known to the public as Postal Service equipment.

Private mail receptacles.—From time to time postmasters at city delivery offices have been instructed to impress on patrons the advantages of providing private mail receptacles. Nevertheless, not more than one half of the residences and places of business in city delivery districts throughout the country are so provided; and it is estimated that every letter carrier loses on an average one-half to one hour daily because of the necessity of making personal delivery where receptacles are not provided.

Suitable private mail receptacles are inexpensive, and their use by all patrons would make possible a great saving in the conduct of the delivery service. It is believed that no hardship would be imposed on any patron if it were made a condition precedent to

delivery service that a private receptacle be provided, and on the contrary that the resulting convenience and saving of time to the patrons would be as important an advantage in favor of the requirement as the saving to the Government. The estimates for this bureau for the ensuing fiscal year contain a tentative draft of legislation requiring all patrons to provide mail receptacles, and the estimate for City Delivery Service has been reduced accordingly.

POSTMASTERS.

The enforcement of the administration's policy to appoint and retain as postmasters only persons physically and mentally competent to discharge all their duties, and who can and will assume full personal responsibility and supervision of their offices, has been an important factor in increasing the efficiency of the post-office service. Appointment or retention of postmasters for any other reasons than the good of the service has not been tolerated. The office of postmaster, it is true, is one of great importance and dignity, and performance of its duties neither can nor should be measured in hours of work alone, but it is believed that if any presidential postmaster fails to devote to his duties at least eight hours daily, which is the minimum for his subordinates, it may safely be assumed that he is not taking the interest in his office that the department desires and is not measuring up to the standard established by the Postmaster General. At small fourth-class offices postmasters can not, of course, be required to give the same proportion of their time to their official duties as is required of postmasters of the presidential grade, but the same kind of conscientious and painstaking interest and service is required.

During the year ended June 30, 1914, there were appointed 3,720 presidential postmasters and 20,378 postmasters of the fourth class.

Operating under the Executive order of May 7, 1913, the post-office inspectors proceeded on August 15, 1913, to conduct State-wide examination of applicants for the offices paying less than $180 annually, and the Civil Service Commission began holding examinations for offices of the fourth class paying more than that amount in January, 1914. The post-office inspectors completed their work during the year, and about one-half of the postmasters at those offices of less than $180 compensation have been appointed. The Civil Service Commission at the close of the fiscal year 1914 had yet to hold State-wide examinations in Arizona, California, Connecticut, Georgia, Maine, Michigan, Minnesota, Mississippi, North Dakota, South Carolina, Texas, and Wisconsin. Before the close of the fiscal year 1915, it is confidently believed that all examinations will have been held and that the work of appointing and classifying fourth-class postmasters will have been completed.

Compensation of postmasters.—The act under which postmasters' salaries are readjusted was passed March 3, 1883, and may have been justified by the conditions then existing. Its further continuance, however, results in many inconsistencies. The law provides a multiplicity of grades. Salaries up to $4,000 are graded by even hundreds of dollars and the frequent readjustments necessary are an administrative burden upon the department. Furthermore, the grades are not based on any uniform or consistent progression of requirements. The present law provides that certain amounts of gross receipts entitle postmasters to certain salaries, but these amounts are entirely

arbitrary and bear no relation to one another. An increase in gross receipts amounting to $6,000 is required to advance a postmaster's salary from $2,700 to $2,800, but $5,000 only is required for the succeeding advance from $2,800 to $2,900. Again, an increase in gross receipts amounting to $50,000 is required to advance a postmaster's salary from $3,900 to $4,000, and an additional increase of exactly the same amount carries his salary from $4,000 to $5,000, a promotion of $1,000 being accorded on the same basis as a promotion of $100.

A more equitable adjustment of the salaries of postmasters, placing the salaries more nearly on a commercial basis, seems desirable and necessary. No postmaster should be underpaid, but all should receive adequate compensation and the incentive to increase the business of every post office should be made uniform.

The following table shows in parallel columns the present salary grades, the amounts of gross receipts required to advance offices to each of those grades, and the amounts of gross receipts that it is proposed to require to advance offices to the grades retained under the proposed plan:

THIRD-CLASS POST OFFICES.

Existing salary grades.	Gross receipts required under—		Proposed salary grades.
	Existing law.	Proposed plan.	
$1,000	$1,900	$1,900	$1,000
1,100	2,100	2,100	1,100
1,200	2,400	2,400	1,200
1,300	2,700	2,700	1,300
1,400	3,000	3,000	1,400
1,500	3,500	3,500	1,500
1,600	4,200	4,200	1,600
1,700	5,000	5,000	1,700
1,800	6,000	6,000	1,800
1,900	7,000	7,000	1,900

SECOND-CLASS POST OFFICES.

$2,000	$8,000	$8,000	$2,000
2,100	9,000		
2,200	10,000		
2,300	11,000		
2,400	13,000		
2,500	16,000	20,000	2,500
2,600	20,000		
2,700	24,000		
2,800	30,000		
2,900	35,000		

FIRST-CLASS POST OFFICES.

$3,000	$40,000	$40,000	$3,000
3,100	45,000		
3,200	60,000		
3,300	80,000		
3,400	110,000		
3,500	150,000	160,000	3,500
3,600	200,000		
3,700	260,000		
3,800	330,000		
3,900	400,000		
4,000	450,000	340,000	4,000
		610,000	4,500
5,000	500,000	1,000,000	5,000
		1,600,000	5,500
6,000	600,000	2,500,000	6,000
		3,900,000	6,500
		6,000,000	7,000
		9,000,000	7,500
8,000	Special act.	13,600,000	8,000

The proposed plan reduces the number of grades from 34 to 23. The multiplicity of grades under the present law, as previously stated, is unnecessary and involves a vast amount of administrative labor. The progression of salaries under the present law has no scientific or practical basis, but is entirely arbitrary and inconsistent. The schedule proposed bases the promotions in each class on the formula of $100 salary raise for each 10 per cent increase in gross receipts, modified by the requirements of an additional fixed amount of increase in gross receipts, which is uniform for each class of offices. The general tendency of the proposed schedule is to require much larger amounts of gross receipts for the respective salary grades, and promotions are made less frequently. The inauguration of the proposed plan on the basis of present gross receipts would save $500,000 annually in salaries and materially reduce the work of this bureau in readjusting the compensation of the postmasters.

Time for readjusting postmasters' salaries.—Under existing law this bureau is required to fix the salaries of postmasters for each fiscal year on the basis of gross receipts for the four quarters ending March 31 of each year. It will be seen that only three months elapses between the close of the period on which the salaries are based and the beginning of the fiscal year within which they are to be paid. This interval is too short for the orderly and efficient conduct of the work and is the cause of unnecessary administrative embarrassment and expense. The authorization for the above schedule of salaries for postmasters should be accompanied by a provision permitting the department to fix the annual salaries on the basis of the gross receipts for the calendar year preceding that in which the salaries are to be paid. Such a provision would extend the interval for the necessary administrative work from three to six months and would afford relief much needed by this bureau.

Appointment of third-class postmasters.—Under existing law, appointments of third-class postmasters must be made by the President and confirmed by the Senate. This elaborate and costly precedure is not warranted by the relative importance of the positions. Moreover there is every service reason for classifying these positions and the time now seems opportune for taking this step, following in the wake of the successful administration of the Executive order of May 7, 1913, classifying fourth-class postmasterships. The number of third-class postmasters exceeds 6,000, and the salaries range from $1,000 to $1,900 per annum. There seems to be no good reason why these appointments should not be made by the Postmaster General, by whom the successful applicants are now nominated to the President for appointment. This would expedite the appointments and give the Post Office Department immediate control over the incumbents, and hence tend to increase efficiency. To effect this reform it is therefore recommended that Congress amend section 6 of the appropriation act approved July 12, 1876, to read as follows:

Postmasters of the first and second classes shall be appointed and may be removed by the President by and with the advice and consent of the Senate, and shall hold their offices for four years unless sooner removed or suspended according to law; and postmasters of the third and four classes shall be appointed and may be removed by the Postmaster General, by whom all appointments and removals shall be notified to the Auditor for the Post Office Department.

This proposed legislation having been approved by Congress, the way will be clear for the President to issue an Executive order classifying the positions of third-class postmasters and providing that the qualifications of the present incumbents be tested by competitive examinations under civil service rules and regulations and in accordance with the methods followed under the Executive order of May 7, 1913, for testing the qualifications of the incumbents of fourth-class postmasterships.

Advancement of fourth-class post offices.—It is recommended that the law which now requires that a post office shall not be advanced from the fourth to the third class unless the postmaster's salary shall have amounted to $250 for four consecutive quarters be amended so as to permit the advancement of any fourth-class office at which the salary of the postmaster shall aggregate $1,000 for any consecutive four quarters. The present requirement is unjust in the case of many post offices, especially those located in resort communities, where the postal receipts for a part of each year fall off so greatly as to reduce the compensation of the postmaster to less than $250 for one or two quarters and prevent the advancement of the office to the third class, although the aggregate salary for a year may greatly exceed $1,000.

New duties and responsibilities of postmasters.—The accession of the parcel post and the reorganization of the entire service along scientific lines have greatly increased the duties and responsibilities of postmasters. It is in recognition of this fact that in perfecting the proposed readjustment of salaries a relatively high scale of compensation has been provided. The postmaster in each community now has an unusual opportunity for rendering signal service to his patrons, and will continue to be, as he should be, one of its highest salaried citizens. In nearly every post office great improvement and economy can be effected in routine postal operations. Moreover, the promotion of the important producer-to-consumer movement in connection with the parcel post requires constructive ability and endeavor of a high order. It should also be recognized that the postmaster is everywhere the representative, in many communities the sole representative, of the National Government. Postmasters should therefore make a special effort to familiarize themselves with and keep themselves informed concerning the activities of all branches of the Government, and respond cheerfully to requests of their patrons for information relating thereto or for assistance in getting in touch with the proper department or bureau from which such information may be obtained. By doing this and by securing the greatest possible cooperation between their offices and patrons to the end of having all the postal facilities used intelligently and with the highest degree of effectiveness for their communities, postmasters will popularize the National Government and greatly enhance the dignity and prestige of their own positions.

Postmasters should take advantage of the opportunity which has been opened up to them by the regulation permitting the transmission of books at parcel-post rates to organize circulating libraries for the benefit of their communities and adjacent districts, utilizing especially the rural routes.

To aid in the educational uplift thus outlined for the Postal Service and to guide the public in properly utilizing its most common and

useful institution, this bureau is interesting itself in the preparation of a manual of instruction regarding the Postal Service, which will be designed especially for use in the public schools.

ASSISTANT POSTMASTERS.

In enforcing the Postmaster General's requirement that every postmaster shall be the working executive of his office and perform service commensurate with the salary he receives, a long step has been taken toward the eventual classification of all postmasters. This consideration, together with the rapid extension of the two-division plan of post-office organization, forcibly suggests the desirability of abolishing the position of assistant postmaster. At the present time, under the regulations, every postmaster is required to appoint an assistant. At first-class offices the salary of the assistant postmaster is fixed by law at not exceeding 50 per cent of the salary of the postmaster, graded in even hundreds of dollars from $1,500 up to $4,000, and at second-class offices the salaries are fixed at various sums, graded in even hundreds of dollars from $800 up to 50 per cent of the salary of the postmaster. At offices of the third class, where the salary of the postmaster is $1,800 or $1,900 a year, assistant postmasters may be appointed at a salary of $600 per annum. In offices below the first-class postmasters are not in need of supervisory assistance and as assistant postmasters in these offices usually perform only clerical duties their official designation should be changed accordingly. It is the intention of the department to reorganize all first-class post offices on the "two-division" plan outlined previously in this report, which eliminates the need for assistant postmasters. It is believed that in the interest of a more efficient and economical administration of the service the position of assistant postmaster should be abolished, that each first-class office should be provided with a superintendent of finance and a superintendent of mails, one of whom should act as postmaster in the absence of that official, and that at offices of the second, third, and fourth classes, one of the clerks should be designated as a chief clerk and act in the absence of the postmaster.

With a view to effecting this important reform, this bureau in its estimates for 1916 has provided for all the clerical and supervisory assistance necessary, but has made no provision for the position of assistant postmaster. The proposal, however, does not contemplate the separation from the service of trained and efficient assistant postmasters but to place and utilize them in the service to better advantage than heretofore.

SUPERVISORY EMPLOYEES.

The salaries of supervisory employees in post offices have not been reclassified for years and the department is compelled to depend upon the number of places provided in the appropriation bills from year to year for the promotion of these employees. During the past year every effort has been made to apportion these promotions upon the basis of the gross receipts of the various offices, which is not only a fair basis but is in accordance with the intent of Congress. A careful study is being made of the salaries paid at the various offices

for the purpose of readjusting them on a fair and equitable basis. It is believed that by the reorganization of post offices on the two-division plan a number of the supervisory positions can be abolished and the salaries attached thereto readjusted according to the needs of the service and a general scheme inaugurated whereby the same officer at offices of practically the same size would be paid the same salary. The appropriation provides at this time for a night superintendent, although there is no person employed under that title or designation. The positions of superintendent and assistant superintendent of delivery, registry, money order, etc., could be abolished without detriment to the service. It is believed, however, that a larger range of salaries should be provided for some of the titles, in order that it may be possible to promote efficient supervisory officers without changing their title or assignment and thus losing their services in the positions where they are most valuable. The estimates of the department for the fiscal year 1916 embody these recommendations, and it is earnestly desired that they be authorized by Congress.

Efficiency ratings.—It has heretofore been the practice to require postmasters in all first and second class offices to submit the efficiency ratings of the clerks and carriers above $1,000 in second-class and $1,100 in first-class offices, but no efficiency rating has ever been required for supervisory employees. For that reason the department was without any record to show whether the various officers were qualified to fill their respective positions and whether they should be considered for promotion to more important ones. Each postmaster has been requested to submit a full statement regarding his various supervisory employees, upon which the department can determine their efficiency and qualifications for not only retaining them in their present positions but promoting them to higher ones.

CLERKS AND CARRIERS.

Compensation to injured postal employees.—In the act making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1915, Congress approved the request of the Postmaster General to enact legislation to extend to employees of the Postal Service who are injured while on duty the privilege of having leave of absence with full pay during the period of their disability for one year, and with half pay for such additional period as may be necessary thereafter, not exceeding one year, and also the payment of $2,000 to the estate of any employee who is killed in the line of duty. This legislation is further recognition of the principle that the Government should indemnify its employees for injuries or deaths incurred in the line of duty, and will enable the department to extend relief to a class of employees who have heretofore been without such protection. The necessary regulations have been prepared for carrying out the provisions of this section.

Claims of employees of the post-office service or their representatives under this provision of law demanding the attention of this bureau should be submitted to the First Assistant Postmaster General through the postmaster under whose jurisdiction the employee to whom the claim relates was immediately employed at the time the injury was received.

The complete regulations regarding the administration of the law will be found in the November, 1914, supplement to the Postal Guide.

Manual.—A manual for clerks and carriers containing all laws and regulations relating to the performance of their duties has been prepared and a copy issued to each employee, who will be tested with regard to his knowledge of its contents. Questions for this purpose based on the manual have been prepared and will be furnished to postmasters at an early date. The results of these examinations will become a part of the efficiency records. It is believed that this plan will stimulate the interest of clerks and carriers and result in better service.

Transfer of carriers to clerical positions.—What is known as the classification act of 1907 provided for the transfer of carriers to clerical positions in post offices, and for a time it was the policy of the department to transfer a carrier to the position of clerk without any test of his fitness for the position. This led in many instances to the transfer of carriers to post offices who were not qualified to perform the duties of the clerical positions. The Bureau now requires that each carrier when seeking transfer to a clerical position shall pass a creditable case examination on a general scheme of distribution within the year next preceding the date of his application.

Daily time schedules of clerks and carriers.—In the report of last year attention was directed to the law providing that the daily service of post-office clerks and letter carriers shall be 8 hours within a period of 10 hours. It was pointed out that this provision embarrassed the department in maintaining adequate mail facilities without incurring inordinate expense for the employment of substitute and auxiliary clerks and carriers. During the past year every effort has been made to reconcile this legislation with the most economical and efficient administration of the post-office service and the conclusion has been reached that the amendment of the law should be urged upon Congress.

The work of both clerks and carriers is so intimately related to the arrival and departure of mail trains that at many post offices where the rush periods each day are widely separated it is not possible to employ throughout the day to advantage a permanent force of employees for 8 hours continuously or even for 8 hours within a period of 10 hours. The work of a post office fluctuates not only from hour to hour but also from day to day. For instance, the legislation suspending postal operations on Sundays naturally occasions an accumulation of mail on Mondays, and the mailing of weekly publications has a similar effect on certain days of the week. It is therefore not possible to employ to advantage throughout the week a permanent force of employees large enough to handle all the mail expeditiously at these heavy periods, for if that were done the force would be much too large for the light periods.

The 8-hour-in-10 law has placed the department in the dilemma on the one hand of having to choose between sanctioning the holding of mail from day to day in order to equalize work, and on the other hand employing a large number of substitutes on heavy days of each week and during heavy times of each day in order to supplement the regular force. As satisfactory service to the people requires that the mail be handled promptly at every point and kept

moving continuously toward its destination, the latter alternative has of necessity been accepted.

One illustration will serve to show that this employment of substitutes is objectionable though necessary under existing law. A letter carrier scheduled to perform two deliveries daily on his route will be unable on heavy days to complete his second delivery within the statutory eight hours. The undelivered mail must be returned to the post office and "reworked" with the mail of the following day. When such a situation becomes aggravated a substitute is assigned to make a delivery on this carrier's route. It is not feasible to have a substitute for each route, consequently the substitute is usually unfamiliar with the route and with the patrons. This unfamiliarity, together with the inexperience of the substitute, is not conducive to efficient service and often results in errors that are annoying to patrons and are made the subject of complaints. If the law were amended so that the regular carrier might remain on duty each day long enough to complete his final delivery, provided that his daily service did not exceed a weekly average of eight hours, his route might then be laid out on the basis of the deliveries for one week, which is a fairly constant unit of work, instead of on the basis of one day's deliveries, which is an indeterminate and variable unit.

It is recommended that legislation be enacted authorizing the department to arrange the schedules of clerks and carriers so that no such employee shall be required to work more than 48 hours a week, and providing that daily schedules shall extend over a period not to exceed 12 hours. Such legislation is necessary to give the department and the postmasters reasonable latitude in meeting the actual exigencies of the service, will greatly reduce future expenditures for auxiliary and substitute service without proportionately increasing clerk and carrier hire and will protect the employees against being required to work more than an average of 8 hours daily.

Biennial promotions.—The scale of salaries established by law for the compensation of post-office clerks and letter carriers is not so arranged as to stimulate the most efficient service on the part of the employees or to secure to the Government the full advantage of their promotions. A closer adherence in this regard to the methods and practices in the business world is desirable. The compensation of these governmental employees is now and will naturally continue to be much higher than the commercial scale of wages for like services. The present practice of advancing all employees automatically at annual intervals to the grade carrying the maximum salary has a deleterious effect on the efficiency of the service, as promotions come to be regarded as matters of course, and the employee so quickly reaching the highest grade and lacking the years of experience and training necessary to fit him for promotion to supervisory duties becomes dissatisfied and careless. The present promotions are made within certain grades annually and carry salary raises of $100. It is believed that these substantial advances should be reserved in each case as the reward for not less than two years of efficient service, and accordingly it is recommended that the promotions now made annually be made biennially, and that no post-office clerk or letter carrier be promoted before he has served at least two years in the next grade lower than that to which he is promoted.

Compensation for substitute service.—Under existing legislation the rate of compensation for substitutes working in the places of clerks or carriers on leave without pay is 40 cents an hour, and for all other substitute, auxiliary, vacation, and temporary clerk and carrier service 35 cents an hour. There is no justification either in the prevailing commercial scale of wages for like services, nor in any dearth of applicants for the places, for such rates of compensation, and they should be reduced to the uniform rate of 30 cents an hour.

Compensatory time for Sunday service.—As stated in the last annual report of this bureau, considerable difficulty is occasioned by the requirement of the law of August 24, 1912, that city letter carriers and clerks at post offices of the first and second classes who are employed for necessary work on Sunday shall be granted compensatory time during one of the six next succeeding days. It is recommended that this provision be amended, so as to permit the department to grant such compensatory time whenever the employees can be most conveniently excused from duty. Such a provision, it is believed, would accord the department reasonable latitude in the administration of a law that has greatly increased the difficulties of efficient post-office service.

SUPERANNUATION.

It is said that the loss sustained by the Government on account of superannuation aggregates many millions annually. A careful canvass of first and second class post offices seems to indicate that this loss is probably less proportionately in the Postal Service than elsewhere. Alertness, dexterity, quickness of hand and eye, and other qualities of youth are peculiarly required for the performance of post-office work and tend of themselves to assist in reducing superannuation in the service. However, superannuation is an important problem in properly reorganizing the post-office service, and the increasing volume of parcel-post traffic accentuates the need for an early and definite solution.

Some postmasters refrain for humanitarian reasons from recommending demotions and removals in accordance with the declining efficiency of employees. The result to some extent is that tenure of office in the Government service does not now depend on the law nor on the uniform needs of the service, but upon the varying temperaments of the postmasters and their varying conceptions of their public duty. This condition is wrong and works injustice to the employees and loss to the Government.

The present officers of the Postal Service did not create this unfortunate condition, but it is their duty to deal with it. The function of the Post Office Department is administrative, not legislative. The law does not provide for pensions, and neither does it provide for permanence of tenure in the civil service. On the contrary, it does specifically provide that incompetent employees shall be removed, and this provision must be held to include all who for any cause are not rendering an adequate *quid pro quo* for their salaries. The law does not provide that length of service shall establish any claim on the part of the employee or any obligation on the part of the

Government that is not satisfied by the payment of the concurrent salary. If the situation is to be changed, Congress only can do it. There are but two sources from which funds could be provided by legislation to care for superannuated employees. These are, first, drafts on the public Treasury, and, second, contributions of the employees themselves. Meanwhile, under existing law, the only proper course for the department and for the postmasters and the course prompted by humanitarian interests is to put on notice all employees that they will be continued in office only so long as they are capable of earning the salaries paid them and that salaries will be scaled and readjusted from time to time to meet the declining efficiency and earning power of clerks and carriers.

CONTRACT STATIONS.

It has heretofore been the practice of the department in order to carry out the intent of Congress to secure proposals each year for the conduct of the contract postal stations. This has imposed upon the bureau much detail work in securing the necessary information and accepting the proposals. Many of the clerks in charge accept the contract at a nominal sum without knowing whether they will secure it for the succeeding year and in many instances the location of a station is changed every year, resulting in dissatisfaction on the part of the patrons as well as the clerk in charge. When a person is appointed as clerk in charge of a station it is necessary for him to secure at his own expense proper equipment, and it is believed that much more advantageous proposals could be obtained if these contracts were to cover a period of at least four years, as with many other Government contracts.

BONDS OF POSTAL EMPLOYEES.

In the last annual report of this bureau attention was directed to the excessive premiums that postal employees are required to pay for fidelity bonds, and also to the inadequate protection that such bonds give to the Government, and it was proposed to substitute for these bonds a guaranty fund to be maintained and established by assessments fixed and prescribed by the Postmaster General. As this plan will reduce the cost to the employees and increase the protection afforded the Government, while at the same time eliminating much administrative expense, there is every reason to favor its early adoption, and legislation to this end is earnestly recommended.

TELEGRAPH AND TELEPHONE REPORT.

By the direction of the Postmaster General a committee, composed of the First Assistant Postmaster General, the superintendent of the Division of Salaries and Allowances, and the chief clerk of the department, investigated the general subject of telegraph and telephone service both in this country and abroad, with special reference to the desirability and feasibility of acquiring those services and operating them in conjunction with the postal system. After a protracted and exhaustive inquiry the committee, on November 25, 1913,

rendered its report to the Postmaster General, embodying the following recommendations:

1. That Congress declare a Government monopoly over all telegraph, telephone, and radio communication and such other means for the transmission of intelligence as may hereafter develop.
2. That Congress acquire by purchase at this time at appraised value the commercial telephone network, except the farmer lines.
3. That Congress authorize the Postmaster General to issue, in his discretion and under such regulations as he may prescribe, revocable licenses for the operation, by private individuals, associations, companies, and corporations, of the telegraph service and such parts of the telephone service as may not be acquired by the Government.

The full report of this committee has been published as United States Senate Document No. 399, Sixty-third Congress, second session. A large part of the work incident to the preparation of this report devolved upon this bureau and was successfully conducted without interfering with the discharge of regular duties.

Territorial telegraphs and telephones.—Under subsequent instructions from the Postmaster General, the same committee made a special investigation of the telegraph and telephone service in Alaska, Porto Rico, and Hawaii, and a résumé of the report on this subject appears as Appendix D on page 32 of this report.

FEDERAL BUILDINGS USED FOR POSTAL PURPOSES.

Of the 726 Federal buildings used wholly or in part as post offices, 388 are first-class offices, 318 second class, 11 third class, 1 fourth class, and 8 postal stations. Obviously the post-office service under this bureau is vitally concerned in the location, general plan, and space arrangement of these buildings. As regards location, effective administration of the postal facilities is best subserved by placing the main post office in each city near the principal railway terminal, or, if this is not done, by placing it near the center of the business district. The general plan of the buildings should provide the maximum of natural light and ventilation for the post-office workroom and easy means of access for the foot carriers and for all vehicles used for conveying mail to and from the post office. The arrangement of space should be especially adapted to accommodate post-office equipment and furniture and to secure the greatest possible convenience for patrons of the office. The extensive inquiry conducted by the department during the past year into the condition of the post-office service has disclosed that these desirable features are not found at present in many post offices located in Federal buildings, and as a result it has not been possible to bring about by reorganizing and systematizing those offices as high a degree of efficiency as otherwise would be possible. Considerable improvement in this respect may be expected, as it is now the practice for this bureau to state to the Postmaster General, for his guidance in conferring with the Secretary of the Treasury on the subject, the general requirements of the post-office service.

This bureau is not concerned with considerations of public policy that lead to the authorization of public buildings to be used partly or exclusively as post offices, but, in so far as the authorization of such buildings is to be based on economic considerations, the most

important data to be considered are those relating to the post-office service. In any case where the authorization of a Federal building to be used as a post office is under consideration, this bureau can readily ascertain whether the elimination of the annual rental paid for leased quarters is an adequate return on the proposed expenditure of public funds, and it can state with considerable accuracy the value of any increased efficiency or economy that will result from the operation of the postal facilities in the kind of building proposed.

Physical valuation of Federal buildings.—During the past year the bureau, by direction of the Postmaster General, has conducted an elaborate inquiry into the value of all public buildings used in part or in their entirety for postal purposes, including their sites and equipment, and the total amount that would have to be paid annually as rent if such accommodations were not provided. So far as is known this inquiry is the first authoritative attempt which has been made to uncover the basic facts in connection with this matter. It was determined with a reasonable degree of accuracy that the total present value of all public buildings, sites, and equipment chargeable to the Postal Service amounts to $115,266,214, and that the estimated rental value of this property, based on the rental value of a like amount of space in buildings affording the same facilities for postal purposes, amounts to $6,402,257. These results show that the rental value to the Postal Service of the quarters in public buildings used for post offices is 5.55 per cent of their total present value.[1]

Respectfully,

DANIEL C. ROPER,
First Assistant Postmaster General.

Hon. ALBERT S. BURLESON,
Postmaster General.

REPORT OF THE SECOND ASSISTANT POSTMASTER GENERAL.

POST OFFICE DEPARTMENT,
OFFICE SECOND ASSISTANT POSTMASTER GENERAL,
Washington, November 10, 1914.

SIR: I have the honor to submit herewith the following report for the fiscal year ended June 30, 1914:

The Second Assistant Postmaster General is charged with the authorization and management of the transportation of the domestic and foreign mails by means of railroads, electric and cable cars, screen wagons and pneumatic tubes in cities, steamboats, mail messengers, and by star routes in Alaska.

GENERAL STATEMENT OF MAIL SERVICE

Data respecting the mail service under the supervision of this bureau as a whole in operation on June 30, 1914, including classes of service, numbers and aggregate length of routes, annual rates of

[1] These data are presented in detail in Appendix C.

expenditure by classes, comparison of statistics with the preceding fiscal year, and statement of expenditures, appropriations, and estimates are shown in Table A.

DIVISION OF RAILWAY ADJUSTMENTS.

RAILROAD TRANSPORTATION.

Service and expenditure.

Number of routes		3,502
Length of routes	miles	231,398.24
Annual travel	do	481,443,001.99
Annual rate of expenditure		$50,853,360.07
Average rate of cost per mile of length		$219.76
Average rate of cost per mile traveled	cents	10.56
Average number of trips per week		20.05

Comparison with the previous year shows:

		Per cent.
Increase in number of routes		77, or 2.248
Increase in length of routes	miles	2,779.56, or 1.216
Increase in annual travel	do	*9,883,912.90, or 2.096
Increase in annual rate of expenditure		$3,986,246.52, or 8.505
Increase in rate of cost per mile of length		$14.76, or 7.200
Increase in average rate of cost per mile traveled	cents	0.63, or 6.344
Increase in average number of trips per week		0.22, or 1.109

There was no unadjusted service on June 30, 1914, with the exception of six small routes. The appropriation for the fiscal year of 1914 was $51,500,000, which, with $800,000 provided by the deficiency appropriation act of July 30, 1914, for the deficiency in the appropriation for 1914, made $51,800,000 available for this service for the fiscal year of 1914. Of this sum the auditor reports the amount expended under accounts stated to September 30, 1914, as $51,663,815.05, leaving an unexpended balance of $136,184.95, out of which unsettled accounts must be paid.

The appropriation for the fiscal year 1915 is $56,188,000.

The annual rate of expenditure was—

June 30, 1914	$50,853,360.07
July 1, 1914	[1] 53,716,801.18
Sept. 30, 1914	[1] 53,869,943.60

These amounts do not include estimated expenditures for the transportation of periodical mails or for mail weighings. It is estimated that there will be an unexpended balance in this appropriation of approximately $1,000,000. This is accounted for by the fact that the per cent of increase in annual rate of compensation on routes readjusted in the fourth contract section from July 1, 1914, was considerably less than was estimated for.

The amount estimated as necessary for this service for the fiscal year ending June 30, 1916, is $58,229,000, being $2,041,000, or 3.63 per cent, increase over the appropriation for the current year.

Quadrennial readjustment.—During the fiscal year the mails were weighed on the railroad routes in the fourth section embracing the States of Arkansas, Louisiana, Texas, Oklahoma, Kansas, Nebraska, South Dakota, North Dakota, Montana, Wyoming, Colorado, New Mexico, Arizona, Utah, Idaho, Washington, Oregon, Nevada, and

[1] Includes annual rate of expenditure of previous adjustment on all unadjusted routes.

California, and the Territories of Alaska and Hawaii. The annual rate of expenditure for railroad transportation in this section on June 30, 1914, was $17,210,556.57. The mails on all the routes covered by this readjustment have been weighed and the average daily weights computed, with the exception of 26, delayed for further information. The increase in the annual rate of compensation on the routes readjusted is found to be $2,861,850.88, or 16.74 per cent. Estimating the increase for the unadjusted service at the same rate makes the total increase in the annual rate $2,881,089.30.

The increase in pay resulting from the last preceding readjustment in this section in 1910 was 10.71 per cent. However, this comparison is with compensation adjusted under the old divisor. The readjustment just completed is the second readjustment in this section under the application of the Postmaster General's order of June 7, 1907, No. 412, requiring the use of the whole number of days in the weighing period as a divisor in obtaining the average daily weight, and since the withdrawal of empty equipment and supplies from the mails, and the increase in annual rate under this readjustment is $2,881,089.30, as stated above.

For information as to the several routes on which the mails were weighed and the pay adjusted from July 1, 1914, reference is made to Table B.

Desired authority for substitution of weights of mails.—During the weighing period in the first contract section in the spring of 1913 disastrous floods occurred in the Ohio River Valley and contiguous territory, commencing about March 25 of that year, which caused serious interruptions in service on a number of railroad routes for several weeks. Business generally was practically at a standstill in the affected territory for a considerable time. These causes reduced the weights of mails carried on the routes referred to considerably below the normal. As compensation for the four-year term is based on the average daily weights of mails ascertained by the weighing, it would appear equitable to make an allowance for the weights that would be taken under normal conditions. The department being without authority to make substitutions of weights in such cases legislation was recommended to enable it to substitute estimated weights for the part of the weighing period when weights are not normal or when none are taken as the result of flood or otherwise, such estimates to be based on the average weights for the period during which the weights are normal. The desired legislation is contained in the bill (H. R. 17042) which has passed the House of Representatives and is now pending before the Senate.

Readjustment of compensation authorized by Congress on account of the establishment of the parcel post. In the last annual report reference was made to the action of the department under authority of the act of March 4, 1913, making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1914, which provided that, on account of the increased weight of mails resulting from the enactment of section 8 of the act of August 24, 1912, making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1913, the Postmaster General is authorized to add to the compensation for transportation on railroad routes on and after July 1, 1913, for the remainder of the contract terms not exceeding 5 per cent thereof per annum, excepting

upon routes weighed since January 1, 1913, and to be readjusted from July 1, 1913, until otherwise provided by law.

In due course orders readjusting compensation from July 1, 1913, were made on all routes coming within the meaning of the law, which added to the annual rate of compensation for railroad transportation on July 1, 1913, the sum of $1,686,8 2.94.

On August 15, 1913, certain changes in the weight limit and rates of postage on parcel-post packages in the local, first, and second zones became effective, which served to increase the weights of mail matter carried by the railroads. In order that this increase might be compensated for, the department took steps to ascertain the effect of the changes and secured information during the period from October 1 to 15, 1913, inclusive, of the number of pieces of each unit weight from 1 ounce to 20 pounds originating at the largest 50 post offices and made a count of the number of pieces and the weight of parcels weighing over 11 pounds on representative railway post office lines from October 1 to 15, 1913, inclusive, and on all screen-wagon routes during the period from October 23 to November 22, 1913, inclusive. These data were carefully analyzed and considered and computations made therefrom to ascertain the average increased daily weight per route. It was found that this amounted to 62 pounds, which is one-half of 1 per cent of 12,- 15 pounds, the average daily average weight for all routes. Thereupon the department, on February 1-, 191-, recommended legislation to Congress in the form of an amendment to the Post Office appropriation bill for the fiscal year of 1915 as follows:

That on account of the increased weight of mails resulting from Postmaster General's Order Number Seventy three hundred and forty-nine, of July twenty-fifth, nineteen hundred and thirteen, respecting rates upon and limits of weight of parcel-post packages in the local, first, and second zones, and effective from August fifteenth, nineteen hundred and thirteen, the Postmaster General is authorized to add to the compensation paid for transportation on railroad routes on and after August fifteenth, nineteen hundred and thirteen, for the remainder of the contract terms, not exceeding one-half of one per centum thereof per annum.

The suggested amendment was not included in the Post Office appropriation act as passed. Subsequently, however, its provisions were incorporated in the bill (H. R. 170- 2) to amend the postal and civil-service laws, and for other purposes. This bill was passed by the House of Representatives and is now pending before the Senate.

Further changes in the rates of postage and weight limit of parcel-post matter became effective on January 1, 191-, as a result of the Postmaster General's order whereby the weight limit was extended to 50 pounds in the local, first, and second zones and to 20 pounds in the remainder of the zones, and the rates of postage on all packages were materially lowered in the third, fourth, fifth, and sixth zones. From March 16, 191-, books and printed matter were admitted to the fourth class or parcel post, and the rates of postage were fixed at 1 cent for each 2 ounces up to 8 ounces, and for weights above 8 ounces the parcel-post zone pound rates apply. These changes caused an increase in the weight of mails carried by railroads. An estimate has been made of the increased weight carried based upon information and data secured during a count and record of parcel-post matter originating at the largest 50 post offices during the period from April 1 to 15, 1914. By comparing these data with similar statistics obtained during October, 1913, it was possible to approximately determine the average increase on railroad routes. After consider-

ing the matter carefully in its various relations it has been concluded that an increase of not exceeding 1 per cent was warranted, and a recommendation has been made to Congress for the enactment of legislation authorizing the Postmaster General to add to the compensation paid on railroad routes on January 1, 1914, for the remainder of the contract terms not exceeding 1 per cent thereof per annum.

Readjustments for diversions of mails.—Under the authority provided by section 4 of the act of August 24, 1912, for making readjustments of compensation on routes under certain conditions where, after a weighing, mails are diverted therefrom or thereto, special weighings were conducted and readjustments made in a number of cases during the year. For information as to the several routes on which these readjustments occurred, reference is made to Table B 1.

In the administration of this provision of law a number of cases have arisen where it would have been equitable and desirable to make adjustments between the routes involved, but owing to the limitation in the law that the diverted mails shall equal at least 10 per cent of the average daily weight of mails on any of the routes affected, the department has been unable to act. This limitation should be removed.

Transportation of certain periodical mail matter by freight.—The plan of transporting certain periodical mail matter in fast freight trains, which was placed in operation in the third contract section September 1, 1911, and from Washington, D. C., to Atlanta, Ga.; Cincinnati, Ohio, to Atlanta, Ga.; and Cincinnati, Ohio, to Chattanooga, Tenn., from July 1, 1912, was continued during the fiscal year. Congress provided, by the appropriation act of August 24, 1912, that the department shall not extend or enlarge the policy of sending second-class matter by freight trains. In order that the plan, which has resulted in such a large economy, may be extended to cover the other sections of the country, the department recommended to Congress the removal of this prohibition. Legislation to accomplish this is contained in the bill (H. R. 17042) which has passed the House of Representatives and is now pending before the Senate.

The method by which adjustments are made and compensation paid for this character of transportation has been fully explained in previous annual reports. All accounts for the year have been settled and a tabulation of the business shows that 4,963 carloads of periodical mail matter were transported in fast freight trains during the year, carrying 139,346,460 pounds. The cost of the freight transportation, with cartage and incidental charges, was $706,154.33. Had this mail been continued in the regular mail trains the cost of its transportation would have been $2,133,586.39. The saving to the Government by reason of the shipments by freight for the year was $1,427,432.06. The reduction in the total weight carried and in the amount of saving as compared with the year 1913 is explained by the fact that from January 26, 1914, a number of periodicals theretofore carried in the freight trains were restored to the regular mail trains, weighed for the statutory period, and the compensation for transportation on the routes upon which such restored mails were carried readjusted from January 26, 1914, on the basis of the additional mails carried. This action was taken under a decision of the Comptroller of the Treasury to whom the question was submitted as to the authority of the department to weigh such periodicals alone

and readjust for their weights in case of their return to the regular mail trains. The readjustment made on the routes affected resulted in an increase in the annual rate for railroad transportation of $141,711.83 and in an additional expenditure during the fiscal year 1914 of $61,331.83.

Economy in readjustments.—The policy of equalizing the rates of pay for the transportation of mail by railroad routes on the basis of the lowest cost, where the department has the choice of dispatching mails by competing lines to the same destination with equal advantage, referred to in previous reports, has been followed where practicable in the readjustment of compensation upon the weighing of mails in the fourth section. Under this policy the following agreements were entered into between the department and the respective companies:

The Southern Pacific-El Paso & Southwestern-Rock Island lines agreed to continue the arrangement respecting the equalization of cost to the department of transporting from Los Angeles, Cal., to Kansas City, Mo., certain competitive mails carried by these lines which might have been sent by the cheaper line of the Santa Fe without detriment to the service, referred to in the annual report for 1910, under which the carrying companies are paid the same rate for the service that would have been paid the cheaper line. This resulted in a saving of $983.60 per annum, or $3,934.40 for the quadrennial term.

The Chicago, Burlington & Quincy Railroad Co. and the Northern Pacific Railway Co. agreed to carry certain competitive through mails from Chicago, Ill., to Spokane, Wash., at no greater rate than would have been paid for their transportation over the cheaper route offered by the line of the Chicago, Milwaukee & St. Paul Railway to St. Paul, and the line of the Great Northern thence to destination. The saving in this case is at the rate of $1,195 19 per annum, or $4,780.76 for the quadrennial term.

The San Pedro, Los Angeles & Salt Lake City, the Oregon Short Line, the Union Pacific, and the Chicago & North Western Railways agreed to carry certain competitive through mails from Los Angeles, Cal., to Chicago, Ill., at no greater cost to the Government than would have been incurred had the mails been sent via the Santa Fe, the cheaper line. The saving effected in this case is at the rate of $3,335 per annum, or $13,340 for the quadrennial term.

The Great Northern Railway Co. agreed to carry certain competitive through mails from St. Paul, Minn., to Butte, Mont., and to Spokane, Wash., and from Seattle, Wash., to St. Paul, Minn., at the same rate that would have been paid the cheaper line of the Northern Pacific Railway Co. The saving in this case is at the rate of $9,143.40 per annum, or $36,573.60 for the quadrennial term.

Compensation of railroads for carrying mails ascertained by the application of Order No. 412; continued objection thereto by railroad companies; and decision of the Court of Claims sustaining the legality of the order.—The order prescribing the method of obtaining the average daily weight of mails carried, upon which is based the compensation paid to railroads for transporting the mails, was first applied in the readjustment of 1907 and has since been applied to the readjustments made during the succeeding years. It is estimated that the total amount of saving to the Government by reason of the new method of

adjusting pay prescribed by this order, to and including the fiscal year 1915, will be $35,000,000.

As mentioned in the last annual report, the case of the Chicago & Alton Railroad Co., one of the many railroad companies which have been objecting to the order and have filed in the Court of Claims suits attacking its validity, was heard by that court, and on June 2, 1913, a judgment was ordered for the claimant. The Government requested an amendment of the findings of fact filed by the court and as well a rehearing of the case. The claimant also requested an amendment of the findings of fact. These several motions were heard by the court and on May 18, 1914, a decision was rendered sustaining the legality of Order No. 412 and dismissing the claimant's petition. New findings of fact were filed by the court. An application for appeal to the Supreme Court of the United States from this judgment was made by the claimant, and allowed. A like judgment, dismissing the petition of the claimant, was rendered by the Court of Claims in the case of the Yazoo & Mississippi Valley Railroad Co. *v.* The United States. The application of the claimant in this case for appeal to the Supreme Court of the United States is pending before the Court of Claims awaiting the determination by that court of a question as to a modification of the findings of fact.

As referred to in previous annual reports, the railroad companies generally have objected to Order No. 412, and in an effort to make effective their protest have modified the agreement clause in the distance circulars obligating themselves to perform service in accordance with the Postal Laws and Regulations by excepting this order. This office in every case makes suitable reply to this exception and informs the carriers that the amount of compensation for the transportation of the mails, which will be fixed by the Postmaster General in accordance with the terms of Order No. 412, is all the compensation that will be paid them for service on their routes.

Other cases which were pending in the courts at the time of the last annual report. One of the cases pending in the Court of Claims, involving the right of the department to apply the act of March 2, 1907 (34 Stat., 1212), which reduced the pay allowable for service on routes carrying more than 5,000 pounds a day, to such routes on which the compensation had been theretofore fixed for four-year terms, and which terms had not expired, was dismissed by the court for want of prosecution after notice sent to the attorney for the claimant. None of the cases has been considered by the court on its merits.

None of the cases filed in the Court of Claims by a number of railroad companies, to recover the amount of the deductions made from their compensation for failures to maintain the scheduled time of arrival and departure of mails carried on their trains, referred to in the last annual report, has been heard. It is expected that at least one of these cases will be heard during the present term of the court.

As mentioned in the last annual report, the motion for a rehearing filed by the claimant in the case involving the right of the department to require the tenant lines of the Union depot at Kansas City, Mo., to furnish facilities in the depot for the distribution of registered mail in transit, was considered by the court and denied. In this action the amount sued for was less than the jurisdictional amount required

to secure a review in the Supreme Court of the United States. Upon the denial of its motion for a rehearing the same claimant filed another petition in which the amount, representing the deductions made from its pay for its pro rata share of the expense to the department for rental of the space in the station during a period of more than four years, is in excess of the jurisdictional sum referred to. One of the other tenant lines also filed a similar action in the same court involving the same subject matter.

In the last annual report mention was made of the department's action in reweighing the mails diverted at St. Louis from the line of the St. Louis & San Francisco Railroad Co. and the Missouri, Kansas & Texas Railway Co., following the withdrawal by these companies of their fast mail train from St. Louis, Mo., to Denison, Tex., and readjusting the compensation on the routes affected from July 1, 1913. One of the lines whose pay was reduced thereby disputed the right of the department to readjust pay on its routes during the four-year term for which compensation had been fixed without a reweighing of all the mails carried, and has filed suits in the Court of Claims to test this question.

Tabulations at Washington.—The plan of tabulating in Washington the returns from the weighings of the mail, inaugurated in February, 1912, under the provisions of the act of March 4, 1911, authorizing the rental of quarters in Washington, D. C., and the employment of clerks to complete tabulations in connection with the quadrennial weighing of the mails, has been continued, and the results of the quadrennial weighing in the fourth contract section have been tabulated by a force of clerks who have also made the necessary computations in connection therewith. The plan has been very satisfactory both from an economical and a service standpoint, as uniformity of method, closer supervision, and assurance of accuracy have been secured with a large decrease in cost. The statement of expenditures on account of the weighing in the fourth section, compared with a similar statement for the weighing in the same section in 1910, shows a large reduction in expense. The total cost of weighing in 1910 was $398,536.59, while that of 1914, including expenditures to October 31, 1914, is $274,753.37, a decrease of $123,783.22. Some additional expenditures for this purpose will be incurred before the completion of the adjustment, which will reduce the amount of the saving slightly. The plan has now been in operation for three years, the tabulations covering the returns from the weighings in three sections, and the total saving accomplished thereunder aggregating $186,153.97, divided as follows:

Second section, 1912	$42,605.84
First section, 1913	19,764.91
Fourth section, 1914	123,783.22
Total	186,153.97

Railway post-office cars.—The annual rate of expenditure for this service on June 30, 1914, was $4,627,200.72, being $28,283.65, or 0.615 per cent more than the previous year.

The appropriation for the fiscal year was $5,000,000; the sum expended, as reported by the auditor to September 30, 1914, was $4,670,234.29, leaving a balance of $329,765.71 out of which unsettled

accounts must be paid. The large unexpended balance is principally due to the fact that during the fiscal year the department extended in the Railway Mail Service the policy of establishing terminal railway post offices to care for parcel post mail in transit, thus rendering it possible to reduce some of the existing authorizations of car space and obviate the necessity for additional space authorizations.

The appropriation for the fiscal year 1915 is $5,412,000.

The annual rate of expenditure was—

June 30, 1914	$4,627,200.72
July 1, 1914	4,621,181.45
September 30, 1914	4,594,285.29

The amount estimated as necessary for the fiscal year ending June 30, 1916, is $4,760,000, being $652,000, or 12.04 per cent decrease under the appropriation for 1915.

During the fiscal year important changes in methods of distributing and handling the bulky classes of mail matter were adopted which materially affected the existing and prospective authorizations of railway post-office car space and greatly reduced the necessity for anticipated additional authorizations, which naturally followed the inauguration of the parcel post system with the resulting increase in the volume of mail. This handling of the increased mails has largely been taken care of by the establishment of a comprehensive system of terminal railway post offices, which perform the major part of the distribution of parcel post mails, as well as periodicals and third-class circular mail, thus reducing the distribution necessities on trains and obviating the authorization of car space which it is estimated would have involved the expenditure of approximately $1,000,000 a year.

The usual careful inspections of existing service have been continued during the year, and where warranted by reports action has been taken in discontinuing, reducing, or increasing authorized space. The net increase in annual rate of expenditure authorized equaled $28,283.65.

The provisions of the law with reference to the requirements to be met as to the soundness of material and construction and sanitary condition of railway post-office cars, and the plan of construction of wooden cars and their method of operation with relation to steel or steel underframe cars before payment could be made, were strictly enforced, and for failures on the part of railroad companies to comply therewith suitable deductions from the compensation for service have been made.

Retirement of wooden full railway post-office cars under the provision of the act of August 24, 1912. The law provides that not less than 25 per cent of the railway post-office cars of a railroad company not conforming to the provisions of the act (that is, not constructed of steel, steel underframe, or equally indestructible material, in other words, wooden cars), shall be replaced annually after June, 1913, with cars constructed of steel.

All railroad companies operating full railway post-office cars were informed of the provisions of this act by this office under date of September 25, 1912, and the companies were thereafter from time to time informed as to the procedure which should be followed where questions arose. The companies generally have complied fully with the requirements of the law, and in cases where they have not complied suitable action will be taken.

INSPECTION.

Monthly affidavits from railroad companies and monthly and other reports from the division superintendents of Railway Mail Service are required in order that the contracts may be enforced. In the transportation service deductions are made for failure to perform service, and fines are imposed for delinquencies. In the full railway post-office car service deductions are made for failures to operate cars and for the operation of cars of less than the authorized dimensions or which do not conform to the law with respect to construction and sanitary conditions, and, where built of wood, with respect to position in train with reference to steel or steel underframe equipment. The amounts due for the performance of railroad transportation and full railway post-office car services are computed and recorded monthly for statement to the Auditor for the Post Office Department for audit and certification for payment.

The following statement shows the amounts of deductions and fines and remissions:

Gross amount of deductions and fines by orders issued during the fiscal year ended June 30, 1914		$214,735.55
Amount of remissions of deductions	$23,573.71	
Amount of remission of fines	1,349.00	
		24,922.71
Net amount of deductions and fines under orders issued during the fiscal year ended June 30, 1914		189,812.84

These amounts are classified as follows:

Service.	Deductions and fines.	Remissions.	Net deductions and fines.
Railroad transportation	$183,925.59	$8,069.75	$175,855.84
Railway post-office cars	30,809.96	16,852.96	13,957.00
Total	214,735.55	24,922.71	189,812.84

FREIGHT ON MAIL BAGS, POSTAL CARDS, ETC.

The appropriation for this item for the fiscal year ended June 30, 1914, was $500,000.

The following payments under this appropriation have been authorized under orders issued to September 30, 1914:

On empty mail bags	$416,891.13
On postal cards	46,657.24
On stamped envelopes	37,815.98
On newspaper wrappers	2,806.20
Total	504,170.55

It is estimated that there will be a deficit for 1914 of $40,457.32. This is due to the fact that the shipments of empty equipment because of the demands for moving parcel post, postal cards, and stamped envelopes were much larger than in previous years, necessitating an expenditure greater than that estimated for.

The appropriation available for the fiscal year 1915 is $510,000.

The amount estimated as necessary for the fiscal year ending June 30, 1916, is $625,000, being $115,000, or 22.55 per cent, increase over the appropriation for the fiscal year 1915.

EMERGENCY SHIPMENTS OF MAIL BAGS DURING THE HOLIDAY SEASON.

Under authority of the provision of the act of March 4, 1911, authorizing the Postmaster General in cases of emergency between November 15 and January 15 of any year to return to the mails empty mail bags theretofore withdrawn therefrom and to pay for their railroad transportation out of the appropriation for inland transportation by railroad routes at not exceeding the rate per pound per mile, as shown by the last adjustment for mail service on the route over which they may be carried, and to pay necessary cartage out of the appropriation for freight or expressage, the department was enabled to meet the demand for additional equipment during the holiday season of 1913, which proved to be the greatest in the history of the department because of the great additional volume of mail which the service was called upon to handle as a result of the improved facilities offered by the parcel post. This provision of law is of great service in securing expeditious return of empty equipment to the large centers where the heavy mails originate, and prevents congestion and delay in dispatch of mails through lack of equipment. During the period the expenditure for shipments made under the provision was $16,278.23, an increase of $11,011.63 over the cost by freight.

In the previous annual report reference was made to the desirability of extending the period of time in which shipments of equipment may be made in mail trains and payment made at the regular mail rates so as to embrace the period from October 1 to April 1 in each year. A provision granting authority for such extension was incorporated in the bill (H. R. 17042) which has passed the House of Representatives and is now pending before the Senate. If this provision becomes law it will enable the department to meet satisfactorily any emergency which may serve to create a deficiency in the supply of equipment at any point.

JOINT COMMITTEE ON POSTAGE ON SECOND-CLASS MAIL MATTER AND COMPENSATION FOR THE TRANSPORTATION OF MAIL.

In the last annual report mention was made of the provision, by the act of August 24, 1912, for a joint committee of Congress to make inquiry into the subject of postage on second-class mail matter and compensation for the transportation of mail, report to be made at the earliest practicable date. The personnel of this joint committee was continued by the act of March 4, 1913, and further continued by the act of March 9, 1914, which provided that final report should be made to Congress on or before December 1, 1914.

The officers of the department in charge of transportation appeared before the committee from time to time at its request and submitted such information bearing upon the subject of railroad mail transportation as was in their possession. Representatives of the railroad companies were also given extended hearings. The committee closed its hearings on April 3, 1914, and under date of August 31, 1914, submitted to Congress its report on compensation for the transportation of mail.

The recommendations of the department in relation to railway-mail pay are incorporated in the bill (H. R. 17042) which has passed the House of Representatives and is now pending before the Senate.

DIVISION OF MISCELLANEOUS TRANSPORTATION.

ELECTRIC AND CABLE CAR SERVICE.

Service and expenditure.

Number of routes		559
Length of routes	miles	7,932.28
Annual travel	do	13,151,943.56
Annual rate of expenditure		$762,205.39
Average rate of cost per mile of length		$96.08
Average rate of cost per mile traveled	cents	5.79
Average number of trips per week		15.94

Comparison with the previous year shows:

		Per cent.
Decrease in number of routes		10, or 1.757
Increase in length of routes	miles	291.16, or 3.814
Increase in annual travel	do	781,974.16, or 6.321
Increase in annual rate of expenditure		$46,010.35, or 6.424
Increase in average rate of cost per mile of length		$2.36, or 2.518
Average rate of cost per mile traveled	cents	No change.
Increase in average number of trips per week		0.38, or 2.442

The appropriation for the fiscal year was $847,400; the amount expended, as reported by the auditor, to September 30, 1914, was $739,458.36, leaving an unexpended balance of $107,941.64, out of which unsettled accounts must be paid. This balance is due to the fact that less new and additional service than was contemplated was authorized and the additional expense on account of the parcel-post system was considerably less than was anticipated.

The appropriation for the fiscal year 1915 is $784,000.

The annual rate of expenditure was:

July 1, 1914	$762,283.92
Sept. 30, 1914	775,565.78

The sum estimated as necessary for the fiscal year ending June 30, 1916, is $845,000, being $61,000, or 7.78 per cent, more than the appropriation for the previous year.

Electric car rates.—The annual rate of expenditure for electric and cable car service authorized at the various rates provided by law was, on June 30, 1914, as follows:

At 3 cents a mile	$194,572.97
At 4 cents a mile	54,391.69
Under special provision	6,007.20
At railroad rates	58,860.91
At schedule rates other than 3 and 4 cents a mile	37,400.00
At apartment and independent car regular rates	34,828.80
At apartment and independent car maximum rates	370,579.45
At special agreement rates less than regular rates	5,564.37
Total	762,205.39

The estimates for the next fiscal year include the existing special provisions regarding rates that may be paid.

Many demands were made upon the department during the fiscal year by electric car companies for increased compensation, and increases were allowed where conditions warranted. The Connecticut Co., performing service in the State of Connecticut, refused to accept the compensation fixed by law and abandoned the service on 18 routes during the year. Substitute service was provided for all offices concerned. At Brooklyn, N. Y., the Brooklyn Heights ailroad Co. having refused to continue the electric car service

under the usual conditions imposed by the department and for the rates fixed by law, the electric car service was discontinued and superseded by automobile service.

REGULATION SCREEN OR OTHER WAGON SERVICE.

Service and expenditure.

Number of routes		289
Length of routes	miles	1,385.18
Annual travel	do	5,705,451.33
Annual rate of expenditure		$2,366,035.74
Average rate of cost per mile of length		$1,708.17
Average rate of cost per mile traveled	cents	41.47
Average number of trips per week		39.65

Comparison with the previous year shows:

		Per cent.
Decrease in number of routes		1, or 0.346
Increase in length of routes	miles	103.99, or 8.117
Increase in annual travel	do	352,692.56, or 6.589
Increase in annual rate of expenditure		$605,060.88, or 34.359
Increase in average rate of cost per mile of length		$333.69, or 24.277
Increase in average rate of cost per mile traveled	cents	8.58, or 26.086
Decrease in average number of trips per week		0.52, or 1.294

The appropriation for the fiscal year 1914 provided by the act of March 9, 1914, was $2,000,000. The deficiency appropriation provided by the act of July 30, 1914, was $340,600, making the total appropriation for the fiscal year $2,340,600.

The amount expended, as reported by the auditor to September 30, 1914, is $2,313,100.58, leaving an unexpended balance of $27,499.42, out of which unsettled accounts must be paid.

The appropriation for the fiscal year 1915 is $2,600,000.

The annual rate of expenditure was:

July 1, 1914	[1] $2,463,374.77
Sept. 30, 1914	[2] 2,520,489.32

The amount estimated as necessary for the fiscal year ending June 30, 1916, is $3,091,000, being $491,000, or 18.88 per cent, more than the appropriation for the current fiscal year.

The contracts for service of this class in the fourth contract section embracing the States of Arkansas, Louisiana, Texas, Oklahoma, Kansas, Nebraska, South Dakota, North Dakota, Montana, Colorado, Utah, Washington, Oregon, and California expired on June 30, 1914, and new contracts were entered into for a term of four years from July 1, 1914. The annual rate of expenditure under the new contracts, including the contracts at Oklahoma, Okla., and Portland, Oreg., which became effective September 1, 1914, and the contract at San Francisco, Cal., for the old term, which was extended to December 31, 1914, is $406,423.31, an increase of $102,908.33, or 33.90 per cent over the annual rate of expenditure on June 30, 1914, under the expiring contracts. The increase in annual travel was 108,702.44 miles. The rate of cost per mile of travel on June 30, 1914, was 38.15 cents. Under the new contracts it is 44.95 cents, an increase of 6.80 cents, or 17.82 per cent. The increased volume and weight of mail on account of parcel post, the establishment of additional service, and the substitution of screen-wagon service for

[1] Not including parcel-post adjustments under orders increasing weight limit of packages to 20 and 50 pounds.

[2] Including allowances to the amount of $7,509.43 under order increasing weight limit of parcel post to 20 pounds.

electric-car service at Seattle, Wash., contributed largely to this increase.

The new advertisement will invite proposals for this service in the third contract section, embracing the States of Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, and Missouri, for the four-year period from July 1, 1915, to June 30, 1919. On September 30, 1914, the wagon service in this section covered 110 routes, with an aggregate length of 467.38 miles and an annual travel of 1,738,465.33 miles, at an annual rate of expenditure of $692,196.89, or 39.81 cents per mile of travel.

Combined with this advertisement will be schedules and statements inviting proposals for the performance of screen-wagon, collection and delivery service combined under one contract at places where it is deemed practicable and desirable, and also for furnishing vehicles to be operated a specific number of hours a day under the direction of the postmaster approved by the department for the performance of such combined service at such places. Proposals received on these various bases will enable the department to choose the most economical and advantageous method of conducting them in each individual case and also to compare such contract price with the estimate for the purchase and operation of Government-owned vehicles.

Adjustment of screen-wagon contractors' pay.—In accordance with the provisions of the act of Congress approved August 24, 1912, making appropriations for the service of the Post Office Department for the fiscal year ended June 30, 1913, for adjusting the compensation for service on screen-wagon routes on account of the adoption of the parcel-post system orders have been issued increasing the compensation of screen-wagon contractors on such routes as it has been shown that the weight of mail carried has been materially increased due to the adoption of the parcel-post system. Under orders issued to September 30, 1914, the additional sum of $76,434.23 was allowed for the fiscal year 1913, and $110,066.17 for the fiscal year 1914. Under the order of the Postmaster General of July 25, 1913, effective August 15, 1913, making certain changes in weight limits of and postage rates for parcel-post packages, etc., orders have been issued aggregating $10,837.10, increasing the compensation of contractors on such routes as it has been shown that the weight of mail carried has been materially increased.

Extension of use of new form of contract for wagon service.—Mention was made in preceding reports of a change in form of contract for screen-wagon service in certain cities whereby the compensation is stated on a mileage basis, and it is provided that the pay of the contractor shall be increased or decreased for authorized changes in the service other than for emergencies at the rate per mile of travel as determined by the annual rate of the proposal and the annual miles of travel shown in the statement of service. This form of contract was continued during the year to cover service in New York, N. Y., Boston, Mass., Pittsburgh, Pa., Baltimore, Md., Washington, D. C., Cincinnati, Ohio, and St. Louis, Mo., and extended to cover service at Brooklyn, N. Y. The service at Los Angeles, Cal., was performed under a mileage-basis contract, which expired on June 30, 1914. This form of contract was not continued at Los Angeles from July 1, 1914, as a more favorable proposal was received for the service during the next four years under a nonmileage-basis contract.

Automobile service.—The successful operation of screen motor wagons for screen-wagon service in cities has continued. The service on the screen-wagon routes at New York, N. Y., Detroit, Mich., Milwaukee, Wis., St. Louis, Mo., and a part of that at San Francisco, Cal., is, under the provisions of the contracts covering service, performed by motor vehicles. During the year similar service was extended to Brooklyn, N. Y., Salina, Kans., Little Rock, Ark., Spokane, Wash., and Marysville and Yuba City, Cal. The contractors at Texarkana, Ark., Temple, Tex., Grand Island, Nebr., Sacramento, Cal., and Seattle, Wash., have been granted permission under the new contracts to use screen motor wagons in the performance of the service.

Experimental combined screen-wagon and city collection and delivery service.—The appropriation act for the fiscal year 1915 provides for the use out of the appropriation for regulation screen or other wagon service of such amount thereof as may be necessary for the purchase and maintenance of wagons or automobiles for and the operation of an experimental combined screen-wagon and city collection and delivery service. Under this authority, combined service has been authorized at Washington, D. C., effective October 1, 1914. Investigations are in progress to determine the advisability of further extending the operation of the combined service under Government ownership and operation of vehicles.

PNEUMATIC-TUBE SERVICE.

A statement showing the pneumatic-tube service under contract and that part of it in operation June 30, 1914, is contained in Table A.

The appropriation for the fiscal year was $962,200. The sum reported by the auditor as expended under accounts stated to September 30, 1914, was $958,329.94, leaving an unexpended balance of $3,870.06 out of which unsettled accounts must be paid.

The appropriation for the fiscal year 1915 is $966,800.

The annual rate of expenditure was—

July 1, 1914	$966,368.40
Sept. 30, 1914	961,683.20

The sum estimated as necessary for the fiscal year ending June 30, 1916, is $976,000, being $9,200, or 0.951 per cent, more than the appropriation for the current fiscal year.

Changes in the service were made during the fiscal year as follows:

Pneumatic-tube lines accepted during fiscal year ended June 30, 1914.

Route No.	City and State.	Length.	Annual pay.
	NEW YORK, N. Y.	*Miles.*	
507011	Embracing new general post office	0.4307	$7,321.90
	Extending double-line tubes from point in front of Times Square Station to new general post office	0.4873	8,284.10
	CHICAGO, ILL.		
535004	Extending double line of tubes to Chicago Avenue Station	0.6057	10,296.90

There was a decrease in the length of tube lines at Chicago incident to omitting Kinzie Street Station of that post office at the time the Chicago Avenue Station was connected of 0.1731 of a mile, which decrease in the service resulted in a decrease in the cost of $2,942.70 per annum.

At New York, N. Y., Station S remains unconnected with the tube system. Since the close of the fiscal year Station E has been omitted from the route, resulting in a decrease in the length of the route of 0.2794 of a mile and a decrease in the cost of service of $4,7[illegible]9.80 per annum.

Pneumatic-Tube Commission.—In the last annual report the statutes creating the Pneumatic-Tube Commission and continuing its personnel and powers with direction to report on or before March 4, 1914, were set forth. As the commission was not prepared to make final report on that date, Congress extended its authority by the act approved March 9, 1914, making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1915, as follows:

That the personnel of the membership of the committees and commissions created and provided for in sections one and eight of the act entitled "An act making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, nineteen hundred and thirteen, and for other purposes," approved August twenty-fourth, nineteen hundred and twelve, shall continue with the same authorities, powers, and provisions for expenses until final report is made to Congress, which shall be made on or before December first, nineteen hundred and fourteen.

STEAMBOAT OR OTHER POWER-BOAT SERVICE.

Number of routes		253
Length of routes	miles	32,241.95
Annual travel	do	5,572,435.42
Annual rate of expenditure		$808,281.75
Average rate of cost per mile of length		$25.06
Average rate of cost per mile traveled	cents	14.55
Average number of trips per week		1.66

Comparison with the report of the previous year shows:

		Per cent.
Increase in number of routes		9, or 3.688
Increase in length of routes	miles	329.93, or 1.033
Increase in annual travel	do	186,705.53, or 3.466
Increase in annual rate of expenditure		$45,334.59, or 5.941
Increase in average rate of cost per mile of length		$1.16, or 4.836
Increase in average rate of cost per mile traveled	cents	0.39, or 2.754
Increase in average number of trips per week		0.04, or 2.469

The appropriation for the fiscal year was $910,000. The sum expended as reported by the auditor under accounts stated to September 30, 1914, was $859,149.17, leaving an unexpended balance of $50,850.83, out of which unsettled accounts must be paid.

The appropriation for the fiscal year 1915 is $1,049,400.

The annual rate of expenditure was—

July 1, 1914	[1] $1,005,256.27
Sept. 30, 1914	[1] 1,002,912.55

The amount estimated as necessary for the fiscal year ending June 30, 1916, is $1,107,000, being $57,600, or 5.49 per cent, more than the appropriation for the current fiscal year.

The contracts for steamboat or other power-boat service in the fourth contract section expired on June 30, 1914, and during the past year new contracts have been entered into for a term of four years

[1] Does not include the annual expenditure on routes where the mails were carried at a certain rate per pound. The cost of this service during the fiscal year 1914 was $108,780.25. The compensation on certain routes in the fourth contract section having been changed from pound rate to a per annum rate from July 1, 1914, it is estimated that the cost of pound-rate service during the fiscal year 1915 will be $94,642.

from July 1, 1914. The annual rate of expenditure on July 1, 1914, in the fourth contract section under the new contracts was $616,608.55, an increase of $191,320.52, or 44.98 per cent, over the rate under the contracts in force June 30, 1914. The increase in the volume and weight of mail on account of parcel post contributed largely to this increase.

The new advertisement invites proposals for the steamboat or other power-boat service in the third contract section. On September 30, 1914, this service embraced 25 routes, with an aggregate length of 755.28 miles and an annual travel of 244,783.70 miles, with an annual rate of expenditure of $24,237.69 or 9.90 cents per mile of annual travel. The new advertisement embraces 29 routes, with an aggregate length of 879.24 miles and an annual travel of 259,938.10 miles, an increase of 15,154.40 miles.

MAIL MESSENGER SERVICE.

Number of routes		7,910
Length of routes	miles	5,397.35
Annual travel	do	12,487,564.40
Annual rate of expenditure		$2,019,247.40
Average rate of cost per mile of length		$373.63
Average rate of cost per mile traveled	cents	16.17
Average number of trips per week		22.24

Comparison with the report of the previous year shows:

	Per cent.
Increase in number of routes	188, or 2.434
Increase in length of routes (miles)	190.01, or 3.649
Increase in annual travel (do)	440,203.52, or 3.653
Increase in annual rate of expenditure	$290,876.31, or 16.829
Increase in average rate of cost per mile of length	$41.72, or 12.569
Increase in average rate of cost per mile traveled (cents)	1.83, or 12.761
Average number of trips per week	No change.

The appropriation for the fiscal year was $1,900,000. The sum expended as reported by the auditor on accounts stated to September 30, 1914, was $1,876,680.50, leaving an unexpended balance of $23,319.50, out of which unsettled accounts must be paid.

The appropriation for the fiscal year 1915 is $2,000,000.

The annual rate of expenditure was—

July 1, 1914	$2,019,294.05
Sept. 30, 1914	2,060,686.15

The amount estimated as necessary for the fiscal year ending June 30, 1916, is $2,246,000, being $246,000, or 12.30 per cent, more than the appropriation for the current fiscal year.

STAR SERVICE IN ALASKA.

Number of routes		20
Length of routes	miles	3,836
Annual travel	do	206,269
Annual rate of expenditure		$190,817.38
Average rate of cost per mile of length		$49.74
Average rate of cost per mile traveled	cents	92.49
Average number of trips per week		0.49

Comparison with the service as shown in the report for the previous fiscal year shows:

		Per cent.
Number of routes		No change.
Decrease in length of routes	miles	37, or 0.955
Decrease in annual travel	do	222, or 0.107
Decrease in annual rate of expenditure		$99.55, or 0.052
Increase in average rate of cost per mile of length		$0.45, or 0.913
Increase in average rate of cost per mile traveled	cents	0.04, or 0.043
Decrease in average number of trips per week		0.02, or 3.921

The appropriation for the fiscal year was $450,000.

The amount expended for this service during the fiscal year 1914, as reported by the auditor to September 30, 1914, was $249,094.42, leaving an unexpended balance of $200,905.58, out of which unsettled accounts must be paid. The large part of this balance is due to the fact that the estimate allowed for a larger increase in cost of transporting parcel-post matter than actually occurred.

The appropriation for the fiscal year 1915 is $304,000.

The annual rate of expenditure was—

July 1, 1914	[1] $259,393.50
Sept. 30, 1914	[1] $260,518.50

The amount estimated as necessary for the fiscal year ending June 30, 1916, is $350,000, being $46,000, or 15.13 per cent, more than the appropriation for the current fiscal year.

The contracts for service on star routes in Alaska expired on June 30, 1914, and during the past year new contracts have been entered into for four years from July 1, 1914. The annual rate of expenditure on July 1, 1914, under the new contracts was $259,393.50, an increase of $68,576.12, or 35.93 per cent, over the annual rate of expenditure on June 30, 1914, under the expiring contracts. The new contracts cover 20 routes, representing 4,454 miles of length and 246,631.10 miles of annual travel on July 1, 1914, a decrease under June 30, 1914, of 37 miles of length and 222 miles of annual travel. The rate of cost a mile of travel on June 30, 1914, was 92 cents. Under the new contracts it was $1.05 on July 1, 1914, an increase of 13 cents, or 14.13 per cent. Increased service on certain routes and higher cost of service on other routes under the new contracts account for this increase.

During the winter season of 1913–14 the department provided additional mail facilities to the interior of Alaska by authorizing the dispatch of not exceeding 27,000 pounds of mail additional to Fairbanks. Under this authority 22,000 pounds of mail were dispatched. The cost of this additional service, including the delivery at points beyond Fairbanks, was $16,096.10.

Special-office service in Alaska.—The amount expended for service of this class in Alaska during the year ended June 30, 1914, was $62.53. During the year ended June 30, 1913, it was $61.89.

The number of special-office routes on June 30, 1914, was 47, with an aggregate length of 4,617 miles and an annual travel (estimated on the basis of one round trip every four weeks) of 120,042 miles.

[1] Does not include the annual expenditure for emergency service in Alaska, for which service during the fiscal year of 1914 authority was given for the expenditure of $71,806.78.

Comparison with the previous year shows:

	Per cent.
Increase in number of routes	12, or 34.285
Increase in length of routes.....miles..	2,168, or 88.525
Increase in annual travel.....do....	56,368, or 88.525
Increase in annual rate of expenditure	$0.64, or 1.034
Average rate of cost per mile of length	No change.
Average number of trips per week	No change.

Compensation for this service is limited by law. The Postmaster General may allow an amount not exceeding two-thirds of the salary paid to the postmaster at such special office. Special-office service is regarded as a temporary arrangement for the supply of offices not on or near established mail routes.

Expenditures for this service are chargeable to the appropriation for star service in Alaska.

AEROPLANE SERVICE.

During the fiscal year the department permitted further experimental aeroplane mail service. There were eight orders issued in seven different States permitting the mails to be carried between certain points by aeroplanes. Such service was merely temporary and was not intended to be permanent. In each instance where the mail has been carried service has been performed by sworn carrier and without cost to the department.

An estimate for experimental service is again submitted.

INSPECTION.

Regular reports are required at frequent intervals from postmasters and other employees on routes over which the mails are carried in order that contracts may be enforced. Deductions are made for failures to perform service and fines imposed for delinquencies.

The following statement shows the amount of deductions and fines and remissions in the transportation services assigned to the Division of Miscellaneous Transportation:

Amount of deductions and fines from pay of postal contractors and others during the fiscal year ended June 30, 1914		$86,004.82
Amount of remissions on deductions on account of satisfactory explanations	$3,980.25	
Amount of remissions on fines	237.15	
		4,217.40
Net amount of deductions and fines under orders issued during the fiscal year ended June 30, 1914		81,787.42

The above amounts are classified as follows:

	Deductions and fines.	Remissions.	Net deductions and fines.
Electric and cable car	$5,680.23	$308.38	$5,371.85
Screen wagon	47,898.30	216.92	47,681.38
Pneumatic tube	240.62		240.62
Mail messenger	2,104.38	82.12	2,022.26
Steamboat	29,959.17	3,470.94	26,488.23
Alaskan star	122.12	139.04	[1] 16.92
Total	86,004.82	4,217.40	81,787.42

[1] Net remission on account of service of previous year.

DIVISION OF FOREIGN MAILS.

COST OF SERVICE, WEIGHT OF MAILS, ETC.

The cost of foreign mail service during the fiscal year ended June 30, 1914, was in the aggregate $3,868,364.72, less credit balances received and due from foreign countries and receipts of the United States Postal Agencies at Shanghai and Vera Cruz, leaving the net cost of the service as $3,565,323.89. The details will be found under Table D.

The appropriation for the transportation of foreign mails for the fiscal year of 1914 was $3,900,000; for balances due foreign countries, $475,000; and for assistant superintendent Division of Foreign Mails, New York, N. Y., $2,500.

The amounts reported by the auditor as expended from the above appropriations under accounts stated to September 30, 1914, are: For transportation, $3,269,704.14; for balances due foreign countries, $374,614.92 (the estimated amount still due is $101,837.83); and for assistant superintendent Division of Foreign Mails, New York, N. Y., $2,500.

The appropriations for the fiscal year of 1915 are: For transportation, $4,000,000; for balances due foreign countries, $681,800; and for assistant superintendent Division of Foreign Mails, New York, N. Y., $2,500.

The amounts estimated as necessary for the fiscal year ending June 30, 1916, are:

For transportation	$3,930,000
For balances due foreign countries	681,700
For assistant superintendent Division of Foreign Mails, New York, N. Y.	2,500
Total	4,614,200

being $70,100, or 1.50 per cent less than the appropriation for the fiscal year 1915.

The weights of the mails dispatched by sea to foreign countries during the fiscal year were as follows:

	Grams.	Pounds.
Letters and post cards	1,602,298,588	3,533,068
Other articles	9,905,869,647	21,842,442
Total	11,508,168,235	25,375,510

An increase of 2,942,060 pounds, or 13.11 per cent over 1913.

Based on a count made at United States exchange post offices during seven days in October, 1913, and seven days in April, 1914, it is estimated that the number of articles exchanged with all foreign countries (both by land and by sea) during the fiscal year 1914 was 421,790,821 sent, an increase of 7.93 per cent over 1913, and 374,534,933 received, an increase of 6.41 per cent over 1913, and that the amount collected as postage prepaid by the senders of such articles, and as deficient postage collected of addressees in this country on unpaid and short-paid articles received from abroad was $11,872,074.98, an increase of 16.64 per cent over 1913, of which amount the postage collected on such articles exchanged with all

countries other than Canada and Mexico is estimated to have been $8,222,927.06, an increase of 24.45 per cent over 1913.

The rate of compensation allowed under the general statute for the sea conveyance of United States mails by steamers of United States register not operated under the ocean mail act of 1891, is not exceeding the full postage on the mails conveyed, at present at the rate of 80 cents a pound for letters and post cards and 8 cents a pound for other articles; and to steamers of foreign register, 4 francs a kilogram (about 35 cents a pound) for letters and post cards and 50 centimes a kilogram (about 4½ cents a pound) for other articles, calculated on the net weights of the mails conveyed. For the conveyance of foreign closed mails the conveying steamers, whether under the United States or foreign flags, are compensated at the rate of 4 francs a kilogram for letters and post cards and 50 centimes a kilogram for other articles. The conveyance of all mails by American steamers operating under the ocean mail act of 1891 is paid for on a mileage basis, as determined by the act and depending on the speed and size of the steamers. Detailed statistics are shown in Table D.

CONTRACT OCEAN MAIL SERVICE.

The service was by the same contract routes as stated in the last report, except that the contract on Route No. 74, Boston and Philadelphia to Port Antonio, Jamaica, was annulled and service discontinued October 28, 1913, by mutual agreement between the department and the contractor.

The total cost of the contract service was $1,089,361.83, an excess cost of $5,402.51 over the amount that would have been allowable at the present rates to the conveying steamers if they had not been under contract and had conveyed the same mails. In considering the cost of the contract service it should be borne in mind, however, that during the year foreign closed mails amounting to 37,666,602 grams (83,055 pounds) of letters and post cards and 326,211,458 grams (719,296 pounds) of other articles, the conveyance of which in the ordinary course would have cost the department, at the rate of 4 francs a kilogram for letters and post cards and 50 centimes a kilogram for other articles, a sum amounting to $60,558.02, were dispatched by the contract steamers without additional cost to the department. As the excess cost of the contract service on account of conveying the United States mails is only $5,402.51 and as the contract service is entitled to be credited with the amount of $60,558.02 for the conveyance of foreign closed mails, the net result is that the contract service cost $55,155.51 less than if the conveying steamers had not been under contract but had been paid on the basis of the weights of the mails at the rates regularly allowed to steamers of United States registry not under contract.

During the fiscal year ended June 30, 1913, the net excess cost to the department on account of contract service was $157,818.28, while during the year just ended the item of excess cost is eliminated altogether and a profit shown instead, the first time since the commencement, in 1892, of the contract service that such a condition has been brought about. This saving has been achieved, without impairing the efficiency of the service, by dispatching on the contract steamers all the mails possible to be so dispatched which would not be materially expedited in delivery by the use of noncontract steamers.

TRANS-ATLANTIC MAILS.

As heretofore, the mails for Great Britain and the Continent of Europe were dispatched by the fast steamers of the several lines. In the case of two or more steamers sailing on the same day or succeeding days, mails were assigned to the vessel whose previous record indicated the probable earlier delivery of the mails at destination, and when warranted by the gain in time due to sorting the mails at sea, preference has been given to sea post steamers over nonsea post steamers. The practice was continued also of giving preference to steamers under contract authorized by the act of March 3, 1891.

During the year there were dispatches of mails to Europe, as a rule, on four days a week: Tuesdays by steamers of the North German Lloyd; Wednesdays by steamers of the Cunard Line and French Line; Fridays by the contract steamers of the American Line; Saturdays by steamers of the White Star Line. Additional dispatches were made by steamers of the Hamburg-American Line sailing sometimes on Thursdays and sometimes on Saturdays. Sea post service was regularly performed on the above mentioned steamers of the North German Lloyd, French, American, White Star, and the fast steamers of the Hamburg-American Line.

The war in Europe, which began the latter part of July, 1914, has caused some disarrangements in connection with our mail service to Europe. The fast steamers of the German lines on the routes between New York and Hamburg and Bremen via English and French ports were withdrawn, and have not yet been restored to service. Some of the fast steamers of the English and French lines were withdrawn, but by the use of their remaining steamers those lines have continued their sailings with almost the usual frequency. There has been no interruption in the weekly sailings of the contract steamers of the American Line. The department has utilized the services of all steamers which could be used to advantage for the dispatch of the mails, including many steamers which under normal conditions are not used for the dispatch of the mails, so that notwithstanding the disturbed conditions brought about by the war, mails for the various European countries have been dispatched three or four times a week, and so routed as not to require transit through any country with which the country of destination of the mails is at war.

The parcel post service between the United States and France and Germany was suspended August 3, 1914, the postal administrations of those countries having announced the suspension of such service on their part until further notice.

TRANS-PACIFIC MAILS.

There was regular contract service under the act of 1891 by the Oceanic Steamship Co. from San Francisco to Sydney, via Honolulu and Pago Pago, every 28 days. The only other service in American steamers on the Pacific was performed by the steamer *Minnesota* of the Great Northern Steamship Co., sailing every three or four months from Seattle to Hongkong via Japan, and by the steamers (five in number) of the Pacific Mail Steamship Co., sailing about every 14 days from San Francisco to Hongkong, via Hawaii and Japan, with occasional calls at Manila. With the exceptions above men-

tioned, our mails for trans-Pacific destinations were carried in vessels of foreign register principally, as follows:

The Canadian Pacific steamers, sailing every 28 days from Vancouver to Japan and China; the three Japanese lines, Nippon Yusen Kaisha, Toyo Kisen Kaisha, and the Osaka Shosen Kaisha, sailing usually twice a month from Seattle, San Francisco, and Tacoma, respectively, for Japan and China; the steamers of the Blue Funnel Line, sailing once in about every 28 days from Seattle for Japan and China; the steamers of the Union Steamship Co., sailing every 28 days from San Francisco to Australia via Tahiti and New Zealand; and the steamers of the Canadian Australian Line, sailing every 28 days from Vancouver for Australia via Honolulu, the Fiji Islands, and New Zealand. Irregular service was performed by other lines.

CENTRAL AND SOUTH AMERICAN MAILS.

There have been no important changes during the year in the dispatches of mails to Central and South America, dispatches from New York and New Orleans having been made as last year. The only contract service we have is that to Venezuela by steamers of the Red "D" Line. All other service is performed by noncontract steamers, mostly of foreign register, over which the department has no control. The dispatches are reasonably frequent, but with few exceptions the steamer sailings occur at irregular intervals, and in many cases not on the dates originally scheduled.

MAILS FOR MEXICO.

During the greater part of the year mail service with Mexico was seriously interrupted on account of the insurrection in that country. The usual overland routes could not always be used, and resort was had to the sea routes from New York and Galveston and United States ports on the Pacific. The contract service on route 69—New York to Vera Cruz via Habana and Progreso—was of great advantage when the overland routes could not be used, mails having been dispatched at such times from New York by the steamers on said route, and also via New Orleans and Key West to connect with the steamers at Habana. In consequence of the occupation of Vera Cruz by the United States military authorities a mail agency was established at that port in charge of a postal agent and a corps of trained assistants.

SEA POST OFFICES.

International sea post offices were maintained during the year on the fast steamers of the American, White Star, French, North German Lloyd, and Hamburg-American Lines between the United States and Great Britain, France, and Germany, 213 trips having been made from New York and 220 trips from Europe, during which 70,525,350 ordinary letters, 829,099 registered articles, and 45,099 sacks of newspapers, etc., were distributed. In addition to the employees furnished by the foreign administrations concerned, this department provided a force of 31 clerks. The average crew, except on steamers of the French line, on which there is one American and one French clerk, consists of two American and two foreign clerks; but

this number may be reduced or increased according to the volume of the mail to be handled and distributed. The *Vaterland*, of the Hamburg-American Line, was added to the list of those upon which sea post service was performed.

Sea post offices were also maintained on the steamers of the Red D Line, New York & Porto Rico Line, and the Panama Railroad Steamship Line between New York and Porto Rico and the Canal Zone, 174 trips having been made from New York and 171 trips from Porto Rico and the Canal Zone, during which 10,595,200 ordinary letters, 54,465 registered articles, and 9,163 sacks of newspapers, etc., were distributed. This service is United States service solely and was performed by a force of 11 clerks.

In the sea post offices when United States sea post clerks were in charge, among the number of articles mailed 1,217 were registered. The receipts from the sales of United States postage stamps during the year by sea post clerks amounted to $7,557.27, while during the year 1913 the receipts amounted to $5,634.12.

On the 25th of August, 1914, the postal administration of Great Britain withdrew from participation in the maintenance of the sea post offices on the American and White Star Lines, since which date sea post service has been maintained on those lines solely by this department.

The discontinuance of the sailing of certain trans-Atlantic steamships as a result of the war in Europe has temporarily reduced the sea post service.

The question of the establishment of sea post service on mail steamers plying between San Francisco and Honolulu and on those plying between San Francisco and Australia and the Orient via Honolulu is receiving consideration.

NAVY MAIL SERVICE.

During the year postal facilities continued to be afforded to practically all the vessels of the Navy. On June 30, 1914, there were 125 Navy mail clerks and 48 assistants. There were 174 changes in personnel during the year.

Since the transfer of supervision of the Navy mail service to this office the arrangement made with the Navy Department enables the assistant superintendent, Division of Foreign Mails, at New York, who has immediate charge of the service, was enabled to visit the post offices on naval vessels whenever practicable for the purpose of securing uniformity in the arrangements of the post offices, equipment used, and postal methods employed, with excellent results.

INTERNATIONAL PARCEL POST.

During the year the parcel-post convention with Ecuador was amended so as to provide for the transmission of parcels without regard to value instead of with a limitation of $50 in value, as before, thereby making the convention with Ecuador uniform with those in force between the United States and all other countries; and the parcel-post conventions with the Bahamas, Barbados, British Honduras, Jamaica, and the Leeward Islands were amended so as to provide that the delivery fee collectible on the delivery of the parcels to the addressees shall not exceed 5 cents a parcel regardless of its weight

instead of 1 cent for each 4 ounces, as provided in the original conventions with those countries. One additional parcel-post convention became effective, namely, that with Greece, May 9, 1914, and a parcel-post convention was concluded with Liberia, effective July 1, 1914.

Since the close of the fiscal year a parcel-post convention has been concluded with the French colony of French Guiana, effective November 1, 1914.

Negotiations are in progress for the conclusion of parcel-post conventions with Argentina, China, Cuba, Gibraltar, Portugal, Russia, Spain, Switzerland, and the French colonies of the Society Islands and St. Pierre and Miquelon with prospects of favorable results.

There are now in operation parcel-post conventions with 49 countries and colonies, the general characteristics of which are as follows:

Postage rate, uniform at 12 cents a pound.
Limit of weight, uniform at 11 pounds.
Limit of size, uniform, at 3 feet 6 inches greatest length, and 6 feet greatest length and girth combined, except Mexico and Colombia—2 feet greatest length and 4 feet greatest girth.

Statement 3 of Table D gives particulars of the parcels sent and received in the international parcel-post service.

It is gratifying to note the material increase from year to year in the international parcel-post service, indicating, as it does, that the people are increasing their use of the facilities which the service affords. No effort is being spared to extend the service to the countries with which we do not now have parcel-post service.

HARBOR SERVICE.

Harbor transfer service at New York has continued to be performed by the contractor with the advantages set forth in the report for the last fiscal year.

A contract was made, effective July 1, 1914, for harbor transfer service at San Francisco of letter mails only, and if the result is satisfactory, as seems probable, such service will be made to apply to all mails.

REDUCED POSTAGE RATE FOR CERTAIN LETTERS.

The results for the year of the agreements with Great Britain and Germany for a 2-cent letter rate, based on a seven days' count in November, 1913, and a seven days' count in April, 1914, are shown in statement 4 of Table D.

LETTER POSTAGE TO COUNTRIES OF THE WESTERN HEMISPHERE.

In furtherance of the policy to foster our commercial relations and increase our trade with the countries and colonies of the Western Hemisphere, negotiations have been commenced with a view to a reduction of the rates of postage on letters exchanged between this country and the countries and colonies mentioned from the rates fixed by the Universal Postal Convention to the domestic rates of the respective countries between which exchanges shall be made. It is hoped that these efforts will meet with success.

UNIVERSAL POSTAL CONGRESS.

The Postmaster General, by order dated June 23, 1914, appointed the Second Assistant Postmaster General and the Superintendent, Division of Foreign Mails, as delegates to represent the United States at the Universal Postal Congress announced to convene at Madrid September 10, 1914. The congress was indefinitely postponed, however, owing to the disturbed conditions in Europe. Action should be taken to continue the appropriation for the expenses of the delegates so as to make the necessary funds available for the purpose when the congress is held.

DIVISION OF RAILWAY MAIL SERVICE.

OPERATION.

Appropriations, expenditures, and estimates.—The appropriations for the fiscal year and expenditures as reported by the Auditor for the Post Office Department under accounts stated to September 30, 1914, and the appropriations for 1915 and the estimates for 1916 for the Railway Mail Service are shown in Table A. The total of the appropriations for 1915 is $31,230,647 and of the estimates for 1916 is $32,387,804, being an increase of $1,157,157, or 3.70 per cent over the appropriations for the fiscal year 1915.

Extent of service and force employed.—On June 30, 1914, the length of lines on which railway post office service was in operation was 215,232.08 miles, with an annual miles of service of 324,676,909, and the length of lines on which closed-pouch service was in operation was 55,623.74 miles and an annual miles of service of 172,344,535. The details are set forth in Table A.

On June 30, 1914, there were 33 officers, 107 chief clerks, 19,569 permanent railway postal clerks, and 602 acting railway postal clerks employed in the service. The details are set forth in Table A. There was a total of 2,419 appointments and transfers to new places during the year, at an increase in the annual rate of expenditure of $2,177,100.

New railway post-office service.—During the past fiscal year changes and improvements have been made on 15,102.40 miles of the service. Of this total 7,160.27 miles represent the establishment of apartment-car service, superseding service perviously provided by closed pouches forwarded upon express trains; 3,576.91 miles of apartment-car service have been superseded by full railway post-office car service; and additional apartment cars have been placed in full railway post-office lines on 4,365.22 miles.

The following table is a summary showing the changes and improvements that have been made in the several classes of service, separately described, and stating in miles the treatment provided:

	Miles.
Closed-pouch service superseded by apartment-car service	7,160.27
Apartment-car service superseded by full railway post-office cars	3,576.91
Additional apartment-cars placed in full railway post-office lines	4,365.22
	15,102.40
Reductions:	
Apartment cars superseded by closed-pouch service	3,762.90
Full railway post-office cars superseded by apartment cars	895.14
	4,658.04

	Miles.
Discontinued:	
Full railway post-office cars 60 feet in length	1,236.18
Full railway post-office cars 40 feet in length	2,344.39
	3,580.57
Recapitulation:	
Total changes and improvements	15,102.40
Reduction in service	4,658.04
Full postal cars discontinued	3,580.57
	8,238.61
Total net increase during period of this report	6,863.79

Equipment.—The following table shows the car equipment in operation on June 30, 1914, as compared with June 30, 1913:

	On railroad lines.									
	Full R. P. O. cars in use.	Full R. P. O. cars in reserve.	Total number full R. P. O. cars.	Apartment cars in use.	Apartment cars in reserve.	Total number apartment cars.	Total number full R. P. O. and apartment cars.	Cars on electric and cable lines.	Apartments on steamboat lines.	Grand total.
June 30, 1913	1,102	251	1,353	3,214	879	4,093	5,446	27	84	5,557
June 30, 1914	1,074	360	1,434	3,223	1,034	4,257	5,691	38	79	5,808
Increase	[1] 28	109	81	9	155	164	245	11	[1] 5	251

[1] Decrease.

Of the 1,074 full cars in use 928 full cars are actually required to keep up full railway post-office lines, 54 full cars are furnished in lieu of apartment cars to keep up apartment-car lines running over full railway post-office lines, and 92 full cars are furnished in lieu of apartment cars to keep up apartment-car lines. In addition, there are 360 full cars in reserve; 321 of these are in reserve on full railway post-office lines, 12 full cars in reserve in lieu of apartments on apartment-car lines running over full railway post-office lines, and 27 full cars in reserve on apartment-car lines.

Of the 3,244 apartment cars in use 464 are actually required to keep up apartment-car lines running over full railway post-office lines and 2,780 to keep up apartment-car lines. In addition, there are 1,051 apartment cars in reserve; 137 of these cars are in reserve on apartment-car lines running over full railway post-office lines and 914 cars in reserve on apartment-car lines.

Of the 1,434 full railway post-office cars in use and in reserve on June 30, 1914, 751 are all-steel cars, 212 steel-underframe cars, and 471 wooden cars, an increase of 155 all-steel cars and 11 steel-underframe cars and a decrease of 85 in the number of wooden cars

Full railway post-office cars in use and in reserve on June 30, 1914.

	Length of car in feet.																					Total.
	40	41	42	43	44	45	49	50	51	52	54	55	56	58	59	60	61	62	63	65	69	70	
Steel	43	...	...	...	...	...	...	...	...	...	...	...	...	1	...	559	6	1	1	3	...	137	751
Steel underframe	8	...	...	...	...	...	2	8	...	...	...	...	...	...	...	180	...	5	...	3	6	....	212
Wood	28	6	1	2	7	1	7	64	3	2	6	11	1	...	12	300	17	...	...	3	...	....	471
Total	79	6	1	2	7	1	9	72	3	2	6	11	1	1	12	1,039	23	6	1	9	6	137	1,434

Of the 471 wooden full railway post-office cars 417 conform to the construction requirements of the department, leaving 54 wooden cars not up to these requirements. The 928 full cars in use on June 30, 1914, are actually required to keep up the service on full railway post-office lines. There are available for this requirement 963 steel and steel-underframe cars and 417 wooden cars up to the construction requirements of the department, a total of 1,380 cars, a surplus of 452. The total number of full railway post-office cars is 1,434. Deducting the 1,380 available to meet a service requirement for 928 cars leaves 54 cars not up to construction requirements and not needed for service on full railway post-office lines.

Of the 1,434 full railway post-office cars in use and in reserve on full and apartment railway post-office lines 1,427 cars are reported as being up to sanitary requirements of the department and 7 as not being up to such requirements in a minor particular.

Of the 4,295 apartment cars in use and in reserve 605 are all-steel cars, 403 steel-underframe cars, and 3,287 wooden cars, an increase of 251 all-steel cars and 81 steel-underframe cars and a decrease of 157 wooden cars.

Apartment cars in use and in reserve on June 30, 1914.

	Under 15 feet.	15 to 18 feet.	18 to 20 feet.	20 to 22½ feet.	22½ to 25 feet.	25 to 30 feet.	Over 30 feet.	Total.
Steel	41	11	10	5	47	284	207	605
Steel underframe	1	19	18	6	46	219	94	403
Wood	338	456	377	396	431	924	365	3,287
Total	380	486	405	407	524	1,427	666	4,295

Of the 3,287 wooden apartment cars 2,147 conform to the construction requirements of the department, leaving 1,140 not up to these requirements.

To keep up the service 3,244 apartment cars are actually required. There are available for this requirement 1,008 steel and steel underframe apartment cars and 2,147 wooden cars up to construction requirements of the department, a total of 3,155 cars, leaving 89 required for use not up to the construction requirements of the department.

Of the 4,295 apartment cars in use and in reserve, 3,912 are reported as being up to the sanitary requirements of the department and 383 as not being up to these requirements.

During the fiscal year 168 all steel and 15 steel underframe full railway post-office cars have been placed in service; 10 wooden full railway post-office cars have been rebuilt and steel underframes applied; 265 all-steel, 36 steel underframe, and 14 wooden apartment cars have been placed in service; 31 wooden apartment cars have been rebuilt and steel underframes applied, and 41 wooden apartment cars have been rebuilt; 60 full railway post-office cars and 117 apartment cars not built in accordance with the specifications of the department are reported as having been withdrawn from service.

At the close of the year there were reported as being under construction 59 all-steel full railway post-office cars; 78 all-steel, 6 steel underframe, and 5 wooden apartment cars.

Orders have been placed by the railroad companies for the construction of 12 all-steel full railway post-office cars and 18 all-steel apartment cars. In addition the companies propose to construct in the near future 2 all-steel full railway post-office cars, and 6 all-steel apartment cars.

The Interstate Commerce Commission, through its inspectors, has extended its aid in the work of examining and reporting upon the condition of postal cars, which is additional to the inspections made by an officer of the Railway Mail Service especially assigned to postal-car inspection.

The steel and steel-underframe cars operated by the several companies are shown in Table A.

Distribution.—It is estimated (computed on a basis of an average of 25.16 letters to a package and an average of 52.14 pieces to a sack of second, third, and fourth class matter, except bulky and fragile parcel-post mail, the latter on an average of 13.3 pieces to a sack) that there were 9,126,104,143 distributions and redistributions of pieces of first-class and 4,281,490,718 distributions and redistributions of pieces of second, third, and fourth class matter, a total of 13,407,594,861 distributions and redistributions of pieces, exclusive of registered matter, by railway postal clerks during the past year, an increase of 5.95 per cent over the previous year.

Of registered matter there were handled and rehandled in transit 66,303,526 packages and cases, 2,070,134 registered pouches, and 1,181,198 inner registered sacks. In addition, clerks made up and dispatched 995,014 registered pouches and inner registered sacks; received and opened 956,873 registered pouches and inner registered sacks; handled and rehandled in transit 2,669,216 registered-package jackets; made up and dispatched 862,377 registered-package jackets, containing 6,021,397 pieces; received and opened 763,542 registered-package jackets, containing 5,723,745 pieces; handled and rehandled in transit 100,441 lead-seal sack jackets; made up and dispatched 3,324 lead-seal sack jackets, containing 72,021 pieces; and received and opened 10,053 lead-seal sack jackets containing 80,462 pieces.

Of the 13,407,594,861 pieces of mail matter distributed and redistributed, 13,404,069,291 pieces, or 99.98 per cent, were distributed and redistributed correctly.

Case examinations.—There were 40,325 examinations of permanent railway postal clerks.

The number of cards handled was 35,372,424, of which 99.12 per cent were handled correctly. Last year's report shows 41,469 examinations, 36,900,086 cards handled, 99.17 per cent correctly. The probationary clerks passed 3,041 examinations, handling 2,935,149 cards, 97.92 per cent correctly. Last year this class of clerks passed 978 examinations, handling 818,376 cards, 98.16 per cent correctly.

In addition to the above there were 6,970 examinations passed by substitutes. The number of cards handled was 5,687,860, of which 97.48 per cent were handled correctly. Last year there were 5,169 examinations and 4,369,664 cards handled, with 97.79 per cent correctly.

Casualties.—There were 233 railroad accidents during the year in which postal clerks were either killed or injured or in which mail

matter was lost or damaged; 215 of these accidents resulted in 2 clerks being killed and 4 dying as the result of injuries, 78 seriously injured, and 291 slightly injured.

Of the 2 clerks killed, 1 was instantly killed by falling out of the door of mail car while making an exchange of mails and the other was instantly killed by being run over by train in depot. Of the 4 clerks who died as the result of injuries, 1 died from injuries received in wreck of train, 1 from injuries received while in the act of boarding electric car at post-office dock, 1 died from injuries received by being run over by train in depot, and 1 died from injuries received while in car at depot.

The following table shows the kind and construction of the mail cars in which accidents to clerks occurred:

Kind of car.	Number of cars in accident.	Number of clerks in these cars.	Clerks killed.	Clerks seriously injured in these cars.	Clerks slightly injured in these cars.	Total clerks injured.
Wood	122	219	[1] 1	30	141	172
Wood, reinforced	9	34	.....	3	10	13
Steel	51	220	.....	35	91	126
Steel underframe	27	88	.....	9	49	58
Not shown	1	1	.....	1	.....	1
Total	210	562	1	78	291	370

[1] Died as the result of injuries.

Catching and delivering devices.—The situation with respect to the installation of improved mail-exchanging devices remains practically unchanged.

The establishment of the parcel post has resulted in adding to the volume of the mails a class of matter which under no circumstances can be safely received or delivered by moving trains, thereby making it necessary for trains to stop for its delivery at places where the service had been satisfactorily rendered by the catcher system, and thus reducing to some extent the need for exchanging devices.

SEPARATION OF SECOND-CLASS MATTER BY PUBLISHERS.

The weight of paid-at-the-pound rate second-class mail received from publishers during the fiscal year was 1,026,901,367 pounds, an increase of 29,354,327 pounds, or 2.94 per cent increase over the previous year. Combining the paid-at-the-pound rate and free-in-county second-class mail matter received from publishers, the total amount for the year was 1,088,686,120 pounds.

At 189 of the largest post offices there were received in the mails during June, 1914, 1,860,966 sacks of second-class matter, representing 8,273 publications. Of these sacks, 81.85 per cent were fully made up by the publishers and were dispatched intact, 12.36 per cent were partly made up, and 5.79 per cent were mixed. Fully made-up matter comprises sacks made up by publishers addressed to States, post offices, or routes, which are dispatched intact from the office of origin without being separated or distributed in any way. Partly

made-up matter comprises sacks made up by publishers for States or cities which require separation or distribution in the office of origin. Mixed matter is matter deposited in the post office by publishers totally unseparated.

The statistics from the New York post office show the per cent of mixed second-class mail received from publishers as only 5.3.

A statement of the composition of fully made-up sacks received during June, 1914, at 40 post offices shows that 11.60 per cent were received made up by States and dispatched intact, 38.36 per cent were received made up for post offices, and 50.04 per cent were received made up by routes.

The distribution of second-class mail to railway post-office routes by publishers in accordance with alphabetical schemes or lists furnished by the department has been extended to include many additional publications. Efforts to increase the amount of mail so distributed and interest publishers in the matter have been, with few exceptions, successful, as publishers generally realize that the requirement is reasonable and results in expediting the delivery of their publication with greater regularity.

TERMINAL RAILWAY POST OFFICES.

On June 30, 1914, there were in operation 84 terminal railway post offices, in which there were employed 2,290 railway postal clerks, an increase during the year of 52 terminals and 1,728 clerks. The operation of this system of terminal railway post offices has enabled the distribution therein of a large part of the mails formerly distributed in railway post-office cars, thus reducing the amount of car space and the force of railway postal clerks that would otherwise be required. This has resulted in a large saving during the year in railway post-office car pay and in salaries of railway postal clerks. As the system is extended during the coming year, still further savings will be made in these items.

RECLASSIFICATION.

During the fiscal year 60 runs of railway postal clerks were placed in class A, 14 in class B, and 13 in class C; 7 were reduced from class B to class A, 19 were raised from class A to class B, and 9 from class B to class C. Two transfer offices were raised from class A to class B and one from class B to class C. Three tours in terminal railway post offices were placed in class A, 5 in class B, 8 in class C, and 26 were raised from class B to class C.

During the fiscal year 14,128 promotions of railway postal clerks were made, as follows: 654 clerks of grade 1, at $900, were promoted to grade 2, at $1,000 per annum; 582 clerks of grade 2, at $1,000, were promoted to grade 3, at $1,100 per annum; 2,224 clerks of grade 3, at $1,100, were promoted to grade 4, at $1,200 per annum; 4,463 clerks of grade 4, at $1,200, were promoted to grade 5, at $1,300 per annum; 1 clerk of grade 4, at $1,200, was promoted to grade 6, at $1,400 per annum, this being a restoration in grade under the reclassification act; 2,035 clerks of grade 5, at $1,300, were promoted

to grade 6, at $1,400 per annum; 3 clerks of grade 5, at $1,300, were promoted to grade 7, at $1,500 per annum, these being restorations in grade under the reclassification act; 2,431 clerks of grade 6, at $1,400, were promoted to grade 7, at $1,500 per annum; 299 clerks of grade 7, at $1,500, were promoted to grade 8, at $1,600 per annum; 1,192 clerks of grade 8, at $1,600, were promoted to grade 9, at $1,700 per annum; and 244 clerks of grade 9, at $1,700, were promoted to grade 10, at $1,800 per annum. The aggregate expenditures for these promotions were $998,650, at an increase in the annual rate of expenditure of $1,401,500.

SUPERVISION.

Improved supervision has been given to the work of the clerks employed. Chief clerks are now required to travel the lines more frequently, and greater attention is paid to the assignment of distribution on the several lines in an effort to keep clerks and the full cars, for which the Government pays additional compensation, employed in both directions.

APPOINTMENT OF CLERKS.

As stated in the last annual report, a wider field of selection to the position of railway postal clerk than that which we now have through the establishment of eligible rolls should be provided for the Railway Mail Service. It is again suggested that authority of law be secured for the transfers of clerks in post offices of the first and second classes who have experience and who are willing to enter the Railway Mail Service. This does not contemplate the discontinuance of separate examinations for the Railway Mail Service and the selection of substitutes from the eligible lists furnished by the Civil Service Commission, but to supplement these by transfers from post offices above indicated. The present limitation to the appointment of railway postal clerks at the entrance grade restricts the choice as to clerks in post offices, as experienced men in those offices who are receiving more than $900 are not disposed to accept transfers to the Railway Mail Service. To overcome this, it is suggested that appropriate legislation be secured to permit transfers of this character at not exceeding the salary the clerk is receiving at the time of his transfer, and that the filling of vacancies in the Railway Mail Service be made from the eligible list or by transfer from post offices, the option resting with the officials of the Railway Mail Service.

RELIEF MEASURES.

Leaves of absence.—At present railway postal clerks who run six days or more a week throughout the year may be allowed 15 days' leave of absence. It is recommended that authority of law be secured to grant them 30 days instead of 15.

At present railway postal clerks who must take leave on account of sickness must provide substitutes and pay them from their salaries. It is recommended that legislation be secured authorizing the Postmaster General to allow leave of absence with pay not exceeding 30

days in any one fiscal year on account of personal illness, the substitute clerk to be provided for at the expense of the department.

Very respectfully,

JOSEPH STEWART,
Second Assistant Postmaster General.

Hon. A. S. BURLESON,
Postmaster General.

REPORT OF THE THIRD ASSISTANT POSTMASTER GENERAL.

POST OFFICE DEPARTMENT,
OFFICE OF THE THIRD ASSISTANT POSTMASTER GENERAL,
Washington, D. C., October 14, 1914.

SIR: I have the honor to submit herewith the annual report of this bureau for the fiscal year ended June 30, 1914.

POSTAL FINANCES.

SUMMARY FOR THE FISCAL YEAR.

The report of the Auditor for the Post Office Department for the fiscal year ended June 30, 1914, shows that the revenues of the Postal Service during that period, including the revenues from money-order and postal-savings business, amounted to $287,934,565.67, an increase of 7.99 per cent over the preceding year, as compared with an increase of 8.05 per cent for 1913 over 1912. The audited expenditures for the same period are shown to be $283,543,769.16, an increase of 8.19 per cent over the preceding year, as compared with an increase of 5.44 per cent for 1913 over 1912. From the excess of revenues over expenditures of $4,390,796.51 charges against revenues are deducted, amounting to $14,333.46, for allowances to postmasters for losses of postal funds due to fire, burglary, and other unavoidable casualties, and a surplus of $4,376,463.05 is reported.

OUTSTANDING OBLIGATIONS.

The expenditures stated by the auditor include payments of $275,023,288.79 for the fiscal year 1914 and $8,520,483.37 on account of prior years. Many accounts for services performed and supplies ordered during the latter part of a given fiscal year can not be paid and included in the report of that year, but must be liquidated in a succeeding year. Statements furnished by the various officers of the department show that the expenses incurred and authorized in the fiscal year 1914 for the maintenance of the service under their supervision were $284,359,545.21, including obligations outstanding at the close of the fiscal year estimated at $9,327,256.42. On this basis, therefore, the revenues of the service, after deducting losses on account of burglary, fire, etc., will exceed expenses by $3,569,687.

A condensed statement of the revenues and expenses for the fiscal years 1912, 1913, and 1914, prepared with a view to showing

on a comparable basis the results of financial administration for these years, is as follows:

Condensed statement of revenues and expenses of the Postal Service for the fiscal years 1912, 1913, and 1914.

Item	1912	1913	1914
Revenues from all sources	$246,744,015.88	$266,619,525.65	$287,934,565.67
Less allowances for losses by burglary, fire, etc	4,088.90	41,333.41	14,333.46
Net revenues	246,739,926.98	266,578,192.24	287,920,232.21
Audited expenditures to June 30, 1914	248,590,429.69	262,143,860.86	275,023,288.79
Expenditures for parcel-post equipment from General Treasury funds		441,021.94	
Estimated outstanding obligations June 30, 1914	20,355.45	97,807.24	9,327,256.42
Total estimated expenses	248,610,785.14	262,682,690.04	284,350,545.21
Estimated deficiency	1,870,858.16		
Estimated surplus		3,895,502.20	3,569,687.00

THE POSTAL SURPLUS.

It is shown in the foregoing statement that the Postal Service in the fiscal year just closed, as well as in the preceding year, was self-sustaining, having proper regard for estimated outstanding obligations as well as for expenditures actually made within and for the year.

In previous years it has been necessary for the department to call upon the Treasury for grants of funds to make up temporary or permanent deficiencies in the postal receipts. During the year just closed the department was able, without making requests for funds from the Treasury, to defray all its obligations from the ordinary revenues of the Postal Service and to deposit with the Treasurer of the United States, to the credit of the general fund, to be used for the general purposes of the Government, the sum of $3,800,000 as a partial payment on account of the surplus in the postal revenues for the fiscal year 1913. The postal establishment has not since 1836 contributed to the general revenues of the Government, and only occasionally has it been possible to finance the service throughout an entire year without aid from the Treasury. In several fiscal years showing a surplus in revenues it has been necessary to seek temporary assistance from the Treasury to meet the excess of expenditures accruing on account of those months of the year in which the revenues are low when compared with other months of the year.

GATHERING POSTAL REVENUES AND PAYING ACCOUNTS OF PUBLIC CREDITORS.

After the payment by postmasters of the regular expenses accruing at their offices and such other payments as they are called upon to make, the excess of receipts becomes available for the liquidation of the accounts of the postal service which must be settled by the department direct. The deposits to the credit of the service of the Post Office Department during the fiscal year 1914, representing principally the excess of revenues over expenditures at post offices,

aggregate $98,391,973.96, of which amount $26,889,934.34 was placed in national banks, $69,615,418.91 in subtreasuries, and $1,886,620.71 in the Treasury of the United States at Washington. Against these funds there were issued 344,703 Post Office Department settlement warrants in payment of creditors of the Postal Service, amounting to $80,110,248.22, an increase over the preceding year of 4.57 per cent in the number issued, and 5.14 per cent in the amount of money involved. To supply necessary funds to disbursing postmasters designated by the department to pay salaries of rural-delivery carriers, railway-mail clerks, inspectors, and other employees of the service, 406 accountable warrants were drawn on the Treasurer of the United States, amounting to $12,700,696.19.

BALANCES DUE LATE AND PRESENT POSTMASTERS.

Upon the retirement of postmasters their accounts are settled by the Auditor for the Post Office Department, and whatever is found due them is paid by means of a draft issued by the department upon the depositary postmaster of the State in which the retiring postmaster performed service. During the fiscal year 975 drafts of this character, aggregating $42,295.74, were issued and sent to the retiring postmasters in accordance with the certificate of the auditor.

RECEIPT AND DISPOSITION OF MONEYS COMING DIRECT TO THE DEPARTMENT.

The superintendent, Division of Finance, is charged with the receipt and disposition of all moneys coming direct to the department, including collections by post-office inspectors for losses in the mails. The sum of $413,696.53 was received during the year from various sources, as shown by Table No. 1 of this report.

FALSE RETURNS OF BUSINESS AND OTHER DELINQUENCIES AFFECTING POSTAL REVENUES.

Notwithstanding the precautions taken by the department to protect its revenues, postmasters at offices of the fourth class in many instances resort to the practice of increasing their compensation by reporting excessive cancellations and soliciting mail matter for dispatch at their offices which properly should be mailed elsewhere. During the fiscal year just closed 1,006 cases involving false returns of business and other delinquencies of postmasters affecting the postal revenues were investigated. After examining into their merits 879 cases were closed without action against the postmaster. Orders involving the disallowance of compensation illegally claimed were issued in 127 cases, the amount charged back being $21,212.28.

A fixed rate of compensation for postmasters at these smaller offices has from time to time been advocated, and it is believed that some plan can be devised which will eliminate much of the dissatisfaction which exists with respect to the present method of compensating them without making necessary any appreciable increase in the aggregate cost of maintaining the Postal Service.

THE POSTAL SAVINGS SYSTEM.

ORGANIZATION.

Postal-savings facilities were first made available in the United States on January 3, 1911, following the approval, on June 25, 1910, of the act of Congress known as the postal-savings act.

The function of administering the system is, by law, divided into two parts. All matters connected with the selection and designation of post offices as depository offices and the supervision of the postal-savings business transacted thereat, together with the conduct of the central administrative office at Washington, are delegated to the Post Office Department. All matters connected with the management and investment of the funds arising under the provisions of the act after they leave the hands of postmasters are delegated to the board of trustees. By an arrangement under which the Third Assistant Postmaster General is appointed as the secretary of the board of trustees and formally constituted its agent for administrative purposes, the conduct of postal-savings affairs is assigned to the immediate supervision of one officer. This arrangement has resulted in both economy of time and concentration of effort.

GROWTH OF THE SYSTEM.

On June 30, 1914, the number of postal-savings depositors was 388,511, the balances to their credit aggregated $43,444,271, and the average principal per depositor was $111.82. Compared with the close of the previous fiscal year there was a gain of 57,505 in the number of depositors, $9,625,401 in the aggregate balances to the credit of depositors, and $9.82 in the average principal per depositor.

The growth of the system and a summary of its transactions, by months, from the time it was inaugurated on January 3, 1911, to the close of the fiscal year ended June 30, 1914, is shown in Table No. 2 of this report.

The purpose of the Postal Savings System is to encourage among the people the formation of habits of economy and thrift. The marked increases shown in the table at the close of each six months' period during which the system has been in operation, both in the number of depositors and the average principal per depositor, afford conclusive proof of the success of this mission.

BALANCE SHEET.

The following balance sheet shows comparatively the resources, liabilities, and unadjusted earnings of the Postal Savings System on June 30, 1913, and June 30, 1914, with related information. These data are stated and arranged to show the increase or decrease in each item during the year, the relation of noninterest-earning and interest-earning resources to noninterest-bearing and interest-bearing liabilities, and the manner in which the funds necessary to meet withdrawals are held in conformity with the postal-savings act; that is to say, the amounts of current cash or working capital, reserve cash, and investments in bonds.

Comparative balance sheet showing resources, liabilities and unadjusted earnings of the United States Postal Savings System on June 30, 1913, and June 30, 1914, with related data.

Items.	Balance June 30, 1913.	Increase during year.	Decrease during year.	Balance June 30, 1914.
RESOURCES.				
Cash working balances, noninterest earning.				
Postmasters: Undeposited funds, including balances due from and to late postmasters	$160,220.49	$5,669.80		$165,890.29
Treasurer of the United States:				
Funds withdrawn for investment in bonds			$7,480.00	[1] 7,480.00
Funds withdrawn for purchase of bonds for depositors	[1] 6,939.92		4,270.04	[1] 11,209.96
Funds withdrawn for the payment of late postmasters' balances			10.00	[1] 10.00
Funds withdrawn for the payment of interest and profits to the Postal Service	565.25		395,163.21	[1] 394,597.96
Secretary of the Treasury: Advance payment for bonds to be purchased for depositors under date of July 1 and for which certificates of deposit (elsewhere reported as outstanding) have been surrendered	1,116,880.00		244,640.00	872,240.00
Cash reserve balances, noninterest earning.				
Treasurer of the United States:				
Funds withdrawn for a cash reserve	1,445,539.37	651,335.38		2,096,874.75
Funds (counted as a part of the reserve) which no local banks have qualified to receive on deposit		18,242.03		18,242.03
Cash working balances, interest earning.				
Depository banks: Funds on deposit to credit of the board of trustees	31,450,309.88	9,427,253.62		40,877,563.50
Investments, interest earning.				
Treasurer of the United States: Bonds purchased by the board of trustees and lodged with the Treasurer, together with those purchased but not yet lodged with the Treasurer	117,960.00	338,880.00		456,840.00
Total resources	34,284,535.07	10,441,380.83	651,563.25	44,074,352.65
LIABILITIES AND UNADJUSTED EARNINGS.				
Demand liabilities, noninterest bearing.				
Depositors:				
Outstanding savings cards and stamps	40,527.70	8,486.10		49,013.80
Matured interest due on outstanding postal-savings certificates	147,676.40	168,714.92		316,391.32
Matured interest not claimed on certificates paid	393.38	388.54		781.92
Postal Service: Balance due on adjusted earnings	134,697.57		77,897.88	56,799.69
Demand liabilities, interest bearing.				
Depositors: Outstanding postal-savings certificates	33,818,870.00	9,625,401.00		43,444,271.00
Total liabilities	34,142,165.05	9,802,990.56	77,897.88	43,867,257.73

[1] Overdrafts, due to cards and stamps being cashed at offices other than those at which purchased, and delayed deposits. The overdrafts were later eliminated.

Comparative balance sheet showing resources, liabilities, and unadjusted earnings of the United States Postal Savings System on June 30, 1913, and June 30, 1914, with related data—Continued.

Items.	Balance June 30, 1913.	Increase during year.	Decrease during year.	Balance June 30, 1914.
LIABILITIES AND UNADJUSTED EARNINGS—contd.				
Unadjusted earnings.[1]				
Unadjusted excess of accrued earnings for the current fiscal year from interest, etc., over accrued charges payable from earnings	[1] $142,370.02	$64,724.90	.....	[1] $207,094.92
Total liabilities and unadjusted earnings	34,284,535.07	9,867,715.46	$77,897.88	44,074,352.65
Excess of interest-bearing liabilities over interest-earning resources	[2] 1,133,720.12	103,907.38	.....	[2] 1,237,627.50
Proportion of cash working balances (amount of unliquidated and unadjusted earnings deducted) to total liability to depositors	*Per cent.* 95.40	*Per cent.*	*Per cent.* 1.27	*Per cent.* 94.13
Proportion of cash reserve balances to total liability to depositors	4.25	0.58	.....	4.83
Proportion of investments in bonds to total liability to depositors	0.35	0.69	.....	1.04

[1] Does not represent net earnings, as all expenses for the maintenance and operation of the system are otherwise provided for. The reported items include only interest and profits actually received, and charges against interest and profits consisting of matured interest on postal-savings certificates and losses on account of fire, burglary, etc. Interest on deposits in banks is computed on the basis of average daily balances, and is paid over on Jan. 1 and July 1 of each year. Interest on postal-savings certificates is computed on the basis of deposits which have remained for one or more full years from the first day of the month following the month in which the deposits were made, and is credited monthly on the last day of the interest year; that is, the day preceding the anniversaries of the day on which the interest begins. For information on this subject see paragraph entitled "Earnings of the system."

[2] The value of certificates surrendered for bonds, issued on July 1 of each year, has been deducted. The interest liability on these certificates terminated on June 30, of each year. (See resource item "Secretary of the Treasury.")

DEPOSITORY POST OFFICES.

On June 30, 1914, postal-savings facilities were available at 9,639 post offices designated as postal-savings depositories, of which 8,507 were of the presidential grade and 1,132 of the fourth class. Savings facilities were also available at 708 branches and stations, making a total of 10,347 depositories in operation on that date. Compared with the previous fiscal year there was a net reduction of 2,473 in the number of depositories. The service was extended during the year to 242 presidential offices (including those in the Hawaiian Islands and Porto Rico), 10 fourth-class offices, and 54 branches and stations; it was discontinued at 18 presidential offices, 2,753 fourth-class offices, and 8 branches and stations. Aside from the changes made necessary by the discontinuance and reclassification of post offices, the comparatively large decrease in the number of depositories is due to the withdrawal of postal-savings facilities from small fourth-class offices at which no business was transacted, in keeping with the present practice of the department to designate post offices as postal-savings depositories, or maintain them as such, only when a demand for the facility is shown by the residents of the community which the post office serves.

Table No. 3 gives detailed information with respect to the number and class of depositories, by States.

BANKS QUALIFIED TO RECEIVE DEPOSITS OF POSTAL-SAVINGS FUNDS.

On June 30, 1914, 6,715 banks were qualified to receive postal-savings funds, including 3,627 national banks, 2,099 State banks, 347 savings banks, 617 trust companies, and 25 "organized" private banks. Compared with the previous fiscal year, there was a net decrease of 511 in the number of qualified banks. There was a loss of 159 in the number of national banks; 306 in the number of State banks; 30 in the number of savings banks; 24 in the number of "organized" private banks; and a gain of 8 in the number of trust companies.

The act of Congress approved December 23, 1913, known as the Federal reserve act, provides that no postal-savings funds shall be deposited in the continental United States in any bank not belonging to the Federal reserve system. When this banking system goes into operation, which, it is announced, will be on November 16, 1914, all banks which have qualified as depositories for postal-savings funds but which have not entered the system, will be disqualified to continue to receive such deposits.

Table No. 4 gives detailed information with respect to the number and class of these banks, by States.

POSTAL-SAVINGS DEPOSITS IN THE SEVERAL STATES AND TERRITORIES.

Statistical data with respect to the deposit and withdrawal of funds in the several States and Territories during the fiscal year, the balances to the credit of depositors at the beginning and end of the year, and the balances on deposit in banks which have qualified to receive such funds, is shown in Table No. 5.

TRANSACTIONS AT THE 50 DEPOSITORY POST OFFICES HAVING THE LARGEST DEPOSITS.

Approximately 54 per cent of postal-savings deposits are held at the 50 depository offices having the largest deposits. Statistical data comparing transactions at those offices as of June 30, 1913, and June 30, 1914, will be found in Table No. 6.

SAVINGS CARDS AND STAMPS.

Under authority conferred by the organic act postal-savings cards and stamps are issued and sold to the public for 10 cents each. This privilege makes possible the saving of small amounts of money, particularly by school children, and the value of the privilege is best demonstrated by the amount of cards and stamps sold and later either redeemed for cash or converted into interest-bearing deposits. Since the system was established, cards and stamps to the value of $482,985.80 have been sold and $433,972 cashed or converted into deposits, the value of those outstanding on June 30, 1914, being $49,013.80. Cards and stamps to the value of $150,390.10 were sold in the fiscal year 1914 and $141,904 cashed or converted.

POSTAL-SAVINGS BONDS.

Section 10 of the postal savings act enables a depositor to exchange his deposits in amounts of $20 and multiples thereof for United States registered or coupon bonds bearing interest at the rate of 2½ per cent per annum, payable semiannually. These bonds are redeemable at the pleasure of the United States after one year from the date of their issue and payable 20 years from such date, both principal and interest being payable in United States gold coin. They are exempt from all taxes or duties of the United States, as well as from taxation in any form by State, municipal, or local authority. Postal-savings deposits which have been exchanged for bonds are not counted as a part of the maximum of $500 allowed a depositor, and there is no limitation upon the amount which may be acquired by a depositor. Under regulations adopted by the board of trustees the exchange may be made as of January 1 and July 1 of each year.

Table No. 7 shows the various issues of these bonds since the system began operations. It is gratifying to note that 84 per cent of the total amount of the bonds issued was requested in the registered form, indicating that they were purchased for permanent investment.

The board of trustees of the system is specially empowered to invest postal-savings funds in these bonds. By resolution of the board they are purchased at par upon the application of any holder and immediate payment made therefor in cash. Bonds to the value of $456,840 have been so purchased up to and including June 30, 1914. Of this amount bonds to the value of $338,880 were purchased in the fiscal year 1914.

EARNINGS OF THE SYSTEM.

The net interest and profits for the fiscal years 1911, 1912, and 1913 aggregate $456,732.65, which has been fully paid over to the postal revenue account. On June 29, 1914, a partial payment of $399,932.96 was made. A final payment of $56,799.69 was made on October 13 of the same year. On the latter date there was also paid over to the postal revenues the sum of $368,885.03 on account of the net interest and profits for the fiscal year 1914, funds being reserved to meet accrued interest on every dollar on deposit with the system on June 30, in view of the possibility that all such deposits will remain for the full interest year.

PAYMENT OF BALANCES TO THE CREDIT OF DECEASED DEPOSITORS.

Provision is made in the regulations of the Postal Savings System for the payment of balances standing to the credit of deceased depositors, or those who have been adjudged to be mentally incompetent, to the executor, administrator, or other legal representative of the estate of the depositor. In case of the death of a depositor intestate, and where it appears that the expenses incident to administration would materially reduce, or absorb, the amount on deposit, provision is made for the payment of the amount standing to the depositor's credit to the persons entitled to receive it under the laws

of the State where the depositor was domiciled. During the present fiscal year 1,283 claims have been paid under these regulations, amounting to $181,930.78. Since the system was established, claims aggregating 2,443 in number and $308,935.32 in amount have been paid.

Of the claims paid during the present fiscal year, 13 were made to citizens of foreign countries, principally the parents of deceased depositors. Payment of these claims were made to parties in Canada, England, Germany, Italy, Montenegro, Norway, Russia, Scotland, and Turkey. Great care has been necessary in making these payments abroad. In practically all instances it was necessary to locate and deal with the heirs through the State Department, which, in utilizing the services of its agents stationed abroad, has rendered cheerful and effective service.

LOSSES BY FIRE, BURGLARY, OR OTHER UNAVOIDABLE CASUALTY.

The Solicitor for the Post Office Department, in an opinion rendered October 9, 1911, held that the organic postal-savings act did not provide for the reimbursement of postmasters for losses of postal-savings cards and stamps, notwithstanding the existence of statutes authorizing the reimbursement of postmasters in sums not exceeding $10,000 for losses of Government funds and stamp supplies resulting from "fire, burglary, or other unavoidable casualty," and for losses of such funds in transit to their designated depositories.

A number of claims having arisen on account of losses of postal-savings funds and accountable supplies it was recommended to Congress that the existing legislation be amended so as to cover other funds and stamped paper for which no provision was made by law, including postal-savings funds, cards, stamps, and certificates. The act of Congress, approved January 21, 1914, extended this authority, and under its provisions 60 claims have been allowed by the Solicitor for the Post Office Department, to whom the duty of adjusting such claims is delegated. Reimbursement to postmasters was authorized by him for cards and stamps lost to the value of $4,668.90, and $91.92 representing postal-savings funds, a total of $4,760.82, which has been charged against the revenues of the system. This comparatively large amount is due to an accumulation of cases from the time the system was established to the date of the passage of the act.

THE MONEY-ORDER SYSTEM.

SUMMARY FOR THE FISCAL YEAR.

The year ended June 30, 1914, marked the close of the first half century of the operation of the postal money-order system. The increase in the amount of domestic business transacted during the past year was but slightly under seven per cent, indicating the continued confidence of the public in the system and the prosperous condition of the country during that period.

The fact that there has been a larger percentage of increase in the number of domestic money orders issued than in the amount is due to the introduction of the C. O. D. feature of the parcel post. This

popular postal facility has afforded to thousands of patrons the opportunity to send parcels of comparatively small value through the mails to be paid for on delivery. The result has been a decided increase in the number of money orders issued for small amounts. In the year for which this report is rendered, money orders to the value of more than $14,500,000 were purchased in payment for approximately 3,000,000 C. O. D. parcel-post packages. The average amount of the orders so issued is less than $5, as compared with an average of about $7 for all the domestic orders issued in 1913, the year prior to the introduction of the C. O. D. feature.

Statistics relating to the operation of the system will be found in Tables Nos. 8, 9, and 10 of this report.

WARRANTS IN PAYMENT OF INVALID DOMESTIC ORDERS AND POSTAL NOTES.

By the provisions of the act of January 27, 1894, domestic money orders and postal notes become invalid after one year from the last day of the month of issue, and may then be paid only by Post Office Department warrants. The warrants so drawn during the year just ended under the provisions of the act named amounted to $240,867.46, which was $186,688.12 less than for the previous year. The decrease in the amount of warrants issued for invalid money orders during the past two years as compared with preceding years is due to the establishment of the postal savings system, and the discontinuance of the use of postal money orders as a means for savings.

INCREASE IN THE NUMBER OF MONEY-ORDER OFFICES.

Money-order facilities were extended during the year to 1,823 offices of the fourth-class at which it seemed probable that the demand for the service would justify its establishment. The number of money-order offices in operation at the end of the year, notwithstanding the fact that during that period 1,362 money-order post offices were discontinued, exceeded that at the close of the previous year by 461, making a total of 55,055 money-order offices in operation on June 30, 1914, as compared with 54,594 on June 30, 1913. Of the total number of offices on June 30, 1914, 10,878 were authorized to transact international business, an increase of just 300 over the preceding year.

NET PROCEEDS.

The revenue arising from the transaction of money-order business is principally derived from the fees charged for the issue of money orders and the gain on the purchase of foreign exchange. The gross amount so received is subject to the following deductions before being deposited as net revenue:

(1) The allowance to postmasters of the third and fourth classes of 3 cents for each order issued, as provided by the act of January 27, 1894. For the fiscal year ended June 30, 1914, this compensation amounted to $1,783,406.28.

(2) The commission allowed foreign countries by the terms of the respective money-order conventions for the payment of orders drawn

in the United States. During the year a total of $363,068.46 was credited for this service to the postal administrations of 24 of those countries with which we maintain an exchange of money orders. By reciprocal arrangements with the remaining 38 Governments with which money-order treaties have been concluded, no compensation for the payment of orders is exacted by either administration.

(3) Certain other items of expense of money-order business for which there are no specific appropriations.

After these deductions from the gross revenue have been made, the balance or net proceeds is transferred to the postal account and used for the general purposes of the Postal Service in accordance with the provisions of section 4050 of the Revised Statutes.

The auditor for the department reported the net proceeds for each quarter of the year, and the amounts were deposited to the credit of the Treasurer of the United States on the dates given below:

For the quarter ended—	Gross proceeds.	Net revenue.	Date of deposit.
Sept. 30, 1913	$1,895,478.60	$1,428,915.92	June 19, 1914
Dec. 31, 1913	2,298,263.17	1,964,650.59	June 25, 1914
Mar. 31, 1914	1,926,863.83	1,363,618.82	Sept. 23, 1914
June 30, 1914	1,808,375.12	1,271,324.62	[1] Oct. 14, 1914 Oct. 16, 1914

[1] In explanation of the two deposits made on account of the June quarter, it should be stated that the approximate revenue for that quarter, $1,000,000, was deposited in advance of the receipt of the formal statement from the auditor.

DEPOSIT ON ACCOUNT OF UNPAID MONEY ORDERS.

In addition to the transfer of net proceeds a payment was made during the year from the funds of the money-order system on account of unpaid money orders more than one year old. Domestic money orders become invalid after the expiration of one year from the last day of the month of issue, after which time they may be paid only by means of a Post Office Department warrant. It is provided by the act of January 27, 1894, that the amount of such invalid money orders shall be certified to the Postmaster General by the auditor for the department, and that upon such certification the amount shall be deposited in the Treasury to be used as current revenue. The auditor certified the sum of $580,888.85 as representing invalid money orders more than one year old issued during the period from January 1, 1911, to September 30, 1911, and in payment of the amount so certified a check drawn by the Postmaster General in favor of the Treasurer of the United States was forwarded to the Secretary of the Treasury and deposited on June 29, 1914.

INVESTIGATION OF ALLEGED ERRONEOUS PAYMENTS.

During the last year 820 instances of alleged erroneous payment, amounting to $12,728.69, were reported to the department. A careful investigation of each case was made, with the following results: The amounts of 381 orders, totaling $6,238.18, were recovered from persons not entitled thereto and restored to the rightful owners; in 162 cases, amounting to $3,168.05, investigation disclosed that the

orders had been properly paid and that there was no cause for complaint; because of lack of sufficient care in requiring identification a total of $3,028.78, representing 259 orders, was charged to paying postmasters; collusion and contributory carelessness of remitters and payees resulted in erroneous payment of 8 orders, amounting to $40.33, and in these instances the remitters or payees were charged with the amount. The department assumed the loss in the remaining 10 cases, amounting to $253.35, because it was found that the amount could not be recovered from the persons to whom it was erroneously paid, nor did it seem just to charge the account of either the issuing or paying postmaster.

The remarkable results shown in the foregoing statement demonstrates conclusively not only the painstaking investigation of the cases by post-office inspectors, but constitutes as well a most favorable commentary upon the efficiency of those employees of the postal service engaged in money-order business.

RESERVES, CREDITS, AND DEPOSITORIES.

As the money-order system is without capital for financing its operations, it is dependent for its successful operation upon the prompt transmittal of the amounts collected for the issue of orders over and above local payments to those points where the payments exceed the issues. The average life of a money order is about seven days, thus making it necessary that the movement of funds be expedited in every manner possible. This end is accomplished by—

(*a*) The assignment of a certain fixed amount to be withheld from deposit, termed a "reserve." At the close of the fiscal year the total amount authorized for reserves was $3,830,210, an increase of $315,145 over the preceding year.

(*b*) A standing credit on money-order account with the postmaster at New York against which drafts may be drawn. On June 30, 1914, 7,400 postmasters had such standing credits at New York, and drafts to the number of 61,296 were paid during the year, amounting to $36,234,931.60, an increase in amount of a little more than $3,000,000.

(*c*) Certain of the larger offices which pay more orders than they issue are designated as depositories for money-order funds for smaller offices, and by this means a depository postmaster is enabled to retain a sufficient sum to meet the payments at his office, the remainder being remitted to a depository bank or to the postmaster at New York or Chicago.

MONEY ORDERS MADE PAYABLE AT ANY MONEY-ORDER OFFICE.

As recommended by the Postmaster General in his last annual report, Congress passed a bill which received the approval of the President on February 5, 1914, providing for the payment of domestic money orders at any money-order post office under such regulations as the Postmaster General might prescribe. The Postmaster General directed that the necessary revision of the regulations be made at once; that detailed instructions to postmasters be prepared, and that the change be made effective July 1, 1914. To safeguard the issuance of duplicates and thereby prevent double payment it was

decided to limit to 30 days the period within which an order might be paid at an office other than that named therein as the office of payment, and to restrict the operation of the rule to orders issued and paid within the limits of continental United States. Provision was made for the acceptance of indemnity bonds in those instances in which applicants desire immediate payment, and in such cases the duplicates are issued as soon as the bonds are accepted. For the convenience of those firms applying at the same time for duplicates of more than one order, a form of "blanket" bond has been provided, conditioned upon the refund of the amount of any one of the duplicates should the original be paid.

This radical departure from the former method of treating paid orders necessitated a revision of the domestic money-order form. Accordingly, a new form has been devised, on the face of which is printed a statement to the effect that the order is payable within 30 days at any money-order office in the continental United States, except Alaska, if issued within those limits. The size of the form has been slightly reduced and other changes made tending to simplify the order and expedite its issue.

FOREIGN EXCHANGE.

The indebtedness of the United States to foreign countries on money-order account is liquidated by bills of exchange which are purchased in New York. Purchases of specified amounts are made of the lowest bidder among more than 30 reliable banking houses which compete for the business. These transactions result in a profit to the department if the purchase is made at a lower rate than that fixed by the convention between the United States and the foreign country, while a loss is sustained if exchange is bought at a higher rate than that agreed upon in the convention as the conversion rate. During the year ended June 30, 1914, there was purchased $79,634,320.90 in foreign exchange, on which there was a total gain of $432,226.66, from which should be deducted a loss of $2,524.63, leaving a net gain of $429,702.03, as compared with a net gain of $394,942.12 on purchases aggregating $79,380,532.98 in the previous fiscal year.

Bills of exchange are also used by foreign countries to pay balances against them on money-order account. The amount thus received during the year was $14,023,873.51, which exceeded by $540,609.61 that received during the year ended June 30, 1913. A considerable number of the bills received from foreign countries are drawn on London and are at once remitted to Great Britain to apply on money-order account. There is, of course, no gain on such transactions, nor is the amount of the bills included with foreign exchange purchased.

INTERNATIONAL MONEY ORDER FEES.

A readjustment of the fees for the issue of international money orders was made effective February 1, 1911. By this change the fees for smaller orders were greatly increased, so that the heaviest burden of the higher rates fell upon those least able to bear it. The increase caused many complaints to be addressed to the department by patrons of the system, some of which suspected that they were being unfairly treated, and also gave rise to misunderstanding and dissatisfaction

on the part of certain of the foreign postal administrations. To correct these conditions the Postmaster General, on June 13, 1914, ordered the adoption (effective August 1) of a new and uniform scale of fees for orders drawn on countries with which business is conducted through exchange offices. The new schedule is simpler than the old, contains fewer subdivisions, and is based upon a rate of 1 per cent of the highest term in each division of the scale. Moreover, the charges on orders up to $40 are greatly reduced.

CLASSIFICATION OF MAIL MATTER.

RECEIPTS FROM POSTAGE.

The chief source of the postal revenues is the receipts from postage collected on mail matter, amounting during the last fiscal year to $265,864,670.45, or 92.34 per cent of the total revenues. Of this amount $16,984,304.26 was derived from mailings of matter of the second, third, and fourth classes without stamps affixed, the postage being collected in money; the remainder, $248,880,366.19, having been derived from mailings of matter of the various classes on which the postage was paid with stamps affixed.

CHANGES IN PARCEL-POST RATES, LIMIT OF WEIGHT, AND CONDITIONS OF MAILABILITY.

During the year reductions were made in the parcel-post rates of postage, and increases were made in the limit of weight of parcels. The results of these modifications amply demonstrate their wisdom.

The reductions in rates and an increase to 20 pounds in the limit of weight applicable to matter for delivery within the first and second zones became effective on August 15, 1913, and a further increase to 50 pounds in the weight limit for those zones, together with an increase to 20 pounds in the weight limit for all other zones, and reductions in the rates for the third, fourth, fifth, and sixth zones became effective on January 1, 1914.

The classification of articles mailable under the parcel-post law was extended on March 16, 1914, to include books, the regular parcel-post rates being made applicable to parcels of books weighing more than 8 ounces, while the old rate of 1 cent for each 2 ounces or fraction thereof was continued on parcels weighing 8 ounces or less. This extension has materially increased the amount of parcel-post mail, the books of many libraries now being circulated through the mails. On January 31, 1914, a departmental order was issued making clear that parcels of printed matter weighing more than 4 pounds, but which are within the limit of weight and size for matter of the fourth class, come within that class and are mailable at the regular parcel-post rates of postage. The rates of postage on seeds, cuttings, bulbs, roots, scions, and plants were fixed by the act of April 24, 1914, for parcels weighing 8 ounces or less at 1 cent for each 2 ounces or fraction thereof and for parcels weighing more than 8 ounces at the regular parcel-post rates. Provision was made on March 14, 1914, whereby the sender of a parcel properly prepaid at the fourth-class rate may attach to the outside of the parcel, in

such manner as to prevent its separation therefrom, a communication inclosed in an envelope on which postage has been prepaid at the first-class rate, thus securing the delivery of the parcel and the communication at the same time.

A departmental order was issued on December 23, 1913, under the provisions of a Federal statute, prohibiting the acceptance for mailing of parcels containing the bodies of wild animals or birds or parts thereof which have been killed or offered for shipment in violation of the laws of the State or Territory in which killed or offered for shipment, and providing that no parcel containing the dead body of any wild animal or bird or part thereof, even though lawfully killed, shall be accepted for mailing unless marked to show the actual nature of the contents.

Instructions were issued providing that the acceptance of nursery stock, plants, or plant products for mailing from any area quarantined by the Secretary of Agriculture under the provisions of the plant-quarantine act of August 20, 1912, to points outside of such area shall be subject to the restrictions of the quarantine order, and providing that such matter shall not in any case be accepted for mailing unless marked to show the nature of the contents and the name and address of the sender, and accompanied with a certificate from a State or Government inspector to the effect that the matter is free from plant disease or insect infestation.

A circular was issued, setting forth in comprehensive and concise form the parcel-post rates, limit of weight, size, and other conditions of mailability applicable to parcel-post mail, together with instructions as to the preparation of such matter for mailing, and giving information with respect to the insurance and C. O. D. features. More than 2,000,000 copies of this circular have already been distributed, its circulation having resulted in acquainting the public with the various features regarding the mailability of parcel-post matter. There was also issued a revised edition of the pamphlet of "General Postal Information," for free distribution to the public through postmasters, describing the various classes of mail, rates of postage, limit of weight, manner of wrapping, and other conditions of mailability applicable to the several classes, as well as giving other information helpful in the preparation of matter for mailing.

USE OF PRECANCELED POSTAGE STAMPS.

Shortly after the beginning of the fiscal year the conditions governing the use of precanceled postage stamps on third and fourth class matter and on that of the second class mailed at the transient rate were modified so as to permit the mailing at one time of any number of pieces of matter bearing such stamps regardless of whether the pieces are identical. This change has resulted in greatly extending the use of such stamps, the number of patrons availing themselves of this method of prepaying postage having been increased more than fivefold. The advantages of using precanceled stamps, both to the Government and the mailer, were greatly emphasized during the holiday period when the amount of parcel-post mail was at its highest.

MAILINGS OF THIRD AND FOURTH CLASS MATTER WITHOUT STAMPS AFFIXED.

The postage collected during the year on mailings of third and fourth class matter without stamps affixed amounted to $6,715,290.59. The method of mailing matter of these classes without stamps affixed and prepaying the postage thereon in money is particularly advantageous to both the mailer and the postal service. The postal service is relieved of canceling stamps on such matter, and this not only effects a considerable saving in the cost of handling, but expedites its dispatch and delivery, as all such matter under the postal regulations is arranged by the sender according to States, counties, cities, etc., thus relieving the postal service from the labor and expense of distributing the matter at the office of mailing. There is also a saving to the Government in the cost of manufacturing and distributing postage stamps. The mailers are relieved from the labor and expense of affixing stamps to the several pieces. For these reasons the method of mailing without stamps affixed, the postage being paid in money, is preferable to the use of precanceled postage stamps.

SECOND-CLASS MATTER.

Although the mailings of newspapers and periodical publications of the second class at the cent-a-pound and free-in-county rates during the fiscal year 1913 were greater than in any previous year in the history of the postal service, the mailings during the fiscal year 1914 increased 2.94 per cent over those for 1913, the total mailings at the rates mentioned aggregating 1,088,686,120 pounds, on which $10,269,013.67 postage was collected. Table No. 11, page 310, shows the mailings of second-class matter by States.

Under the provisions of the act of August 24, 1912, known as the publicity law, publishers of daily newspapers are required to show in the semiannual statement of ownership, management, circulation, etc., provided for by that act, the average number of copies of each issue sold or distributed to paid subscribers. Considerable uncertainty existed in the minds of many publishers as to just what this requirement contemplated, it being construed by some not to include copies sold to individuals taking only one copy of a single issue, nor copies purchased by news agents, and consequently more or less confusion and lack of uniformity in filing the statements resulted. The department took the view that the statute contemplates that the entire bona fide paid circulation of daily newspapers shall be given, and such interpretation was upheld by the Attorney General in an opinion rendered on January 5, 1914, wherein it is stated that copies of daily newspapers actually paid for by a news agent, comprising the number delivered to him less the number returned as unsold, and copies subscribed for or sold to individuals taking but one copy of a single issue constitute "copies sold or distributed to paid subscribers" within the contemplation of the law. This clarification of the requirements of the publicity law has greatly simplified its administration and assures uniformity and completeness in the statements filed thereunder.

On June 30, 1914, there were 11,238 post offices at which publications were entered and mailed as second-class matter, and of the total

postage at the cent-a-pound rate on such mailings, 79.48 per cent was collected at the 50 offices where the largest amount was mailed, and only 20.52 per cent at the other 11,188 offices.

APPLICATIONS RECEIVED.

The number of applications received for admission of publications to the second class of mail matter, for change in title, frequency of issue, or office of publication, during the fiscal year was 4,649. The number favorably acted on was 4,470, while 179 were denied. During the same period issuance of 4,029 publications having a second class status was discontinued, leaving 20,148 publications passing in the mails at the second-class rates of postage on June 30, 1914, a net increase of 441 over the previous year. Permits to mail second-class publications at the rates applicable to second-class matter were issued to 369 news agents during the year, and 353 permits were canceled, leaving 2,568 news agents' permits outstanding on June 30, 1914.

EVASION OF THE PAYMENT OF POSTAGE.

There arose during the fiscal year 517 cases involving alleged violations of the act of March 4, 1909, making it an offense punishable by a fine of not more than $100 to conceal or inclose matter of a higher class in that of a lower class for the purpose of evading payment of the higher postage rate properly chargeable, as compared with 475 cases during the previous year. It developed upon inquiry and investigation that 489 of the apparent violations were not willful but due to inadvertence, while in 26 cases the mailers were unknown and could not be located. In 7 cases, resulting in prosecutions, fines varying from $1 to $100 were imposed by the court, and in one case a nolle prosequi was entered.

PRODUCTION, DISTRIBUTION, AND REDEMPTION OF STAMPED PAPER.

SUMMARY OF TRANSACTIONS FOR THE YEAR.

For the first time in the history of the department the sales of postage stamps and other stamped paper crossed the quarter-billion mark in value, amounting in the aggregate to the stupendous sum of $258,400,482.38. This is an increase over the sales of the fiscal year 1913 of $18,406,964.26 or 7.67 per cent.

A statement of aggregate transactions in postage stamped paper for the fiscal year 1914 follows:

Postage stamps and other stamped paper on hand in post offices July 1, 1913	$90,348,067.21
Stamped paper charged to postmasters	263,436,165.18
Stamped paper transferred from post offices	551,771.96
Excess stamped paper found in post offices	49.31
Total	354,336,053.66

Sales of postmasters, July 1, 1913, to June 30, 1914 [1]	$258,400,482.38
Stamped paper redeemed by the department from postmasters	1,121,044.81
International reply coupons redeemed by the department	2,248.80
Dead-letter bills	27,551.22
Stamped paper transferred to post offices	551,729.93
Postage affixed to foreign registered mail	1.71
Stamped paper on hand in post offices June 30, 1914	94,232,994.81
Total	354,336,053.66

The aggregate number of stamps and other stamped paper issued by the department during the fiscal year 1914 was 14,062,870,533, an increase of 3.04 per cent over the issues of 1913.

REQUISITIONS FILLED.

The number of requisitions for postage-stamped paper filled was 934,644, a decrease of 121,751, or 11.52 per cent, compared with 1913. This decrease is due to the lessened demand for distinctive parcel-post stamps resulting from the action discussed in the report for 1913, making ordinary stamps valid for postage on parcels.

The average number of requisitions filled daily in the fiscal year 1914 was 3,054.

COILED STAMPS.

Another very large increase in the demand for coils of 500 and 1,000 stamps each is recorded. The number of coils issued was 1,212,283, an increase of 446,253, or 58 per cent. In 1913 the increase in the number of coils issued was 66 per cent. These coils afford the public an exceedingly convenient form of stamp issue, for affixing by hand as well as by machine, and for use in coin-actuated vending devices which are growing in popularity. The coils are also advantageous to the postal service, being convenient and economical to handle, in that the stamps need not be counted when sold. A widely increased use of coiled stamps would be desirable, and with the use of an improved method of production which has been perfected it is hoped to reduce the present coiling charges of 3 cents per coil of 500 and 6 cents per coil of 1,000, if not eliminate them entirely. This new method prints the stamps in continuous, unjointed strips, instead of in flat sheets which must be cut apart and pasted together as under the old method. Unjointed coils of 2-cent stamps, arranged sidewise, were first issued without perforations June 30, 1914; with perforations July 3.

STAMP BOOKS.

The revenue upon the stamp books issued during the year, derived from the 1-cent charged for each book above the value of the stamps contained therein, aggregated $293,108.50. Cost of manufacture was $85,211.14, leaving $207,897.36 to defray cost of distribution.

[1] The sales reported by this office do not agree with those reported by the Auditor for the Post Office Department, principally because the auditor includes excess revenue gained in sales of stamped envelopes and newspaper wrappers singly and in odd quantities. This excess revenue is reported in postmasters' postal accounts directly to the auditor and not to this office. Another item consists of certain differences between the stamp and postal accounts which the auditor adjusts in the year following that in which they occur. A third item is the modifying of sales by the auditor in the case of credits to postmasters on account of losses by fire, burglary, and other casualties. Differences also exist because of adjustments made of delinquent stamp accounts.

NEW STAMP BOOKS.

Two new stamp books were issued during the year, one containing twenty-four 1-cent and twenty-four 2-cent stamps, first issued and placed on sale in the Washington post office October 25, 1913; the other containing ninety-six 1-cent stamps, first issued January 27, 1914, and placed on sale in the Washington post office January 29. The combination book of 1-cent and 2-cent stamps has been especially well received by the public, 1,132,740 of them having been issued to June 30, 1914.

NEW DENOMINATIONS OF STAMPS.

Five new denominations of postage stamps have been issued, being necessitated for postage on parcels. They are of the same shape (a rectangle on end) and size (about $\frac{7}{8}$ by $\frac{3}{4}$ inch) as the other ordinary stamps, series 1911. The 7-cent stamp is black; 9-cent, pink; 12-cent, maroon; 20-cent, light blue; 30-cent, vermillion. All of these denominations were first issued by the department April 29, 1914, and were placed on sale in the Washington, D. C., post office April 30.

The 7-cent bears the head of Washington in profile, from Houdon's bust, looking to the left. The border design is the same as that of the first six denominations of the current series.

The 9-cent, 12-cent, 20-cent, and 30-cent bear the head of Franklin in profile, from Houdon's bust, looking to the left. These four denominations have the same border design as the current 8-cent to $1 stamps.

In addition to its use on parcels, the new 12-cent stamp is convenient for prepayment of registration or special-delivery fee with a single rate of letter postage.

STAMPED ENVELOPES.

The total number of stamped envelopes and newspaper wrappers issued to postmasters in the fiscal year 1914 was 1,864,713,929. Of these, 1,321,736,683, or 70.88 per cent, bore printed return cards, while 542,977,246, or 29.12 per cent, were unprinted.

The gross selling value of stamped envelopes and newspaper wrappers issued was $37,283,365.75, and their postage value was $34,880,494.07, leaving $2,402,871.68 to defray cost of manufacture and distribution. The contract cost was $1,538,205.29, leaving $864,666.39 for cost of distribution.

LOCAL ADDRESSES IN RETURN CARDS ON STAMPED ENVELOPES.

The delivery and redelivery of letters is frequently delayed and often made impossible by the omission of an important part of the address or return card, such as the street number, room number in an office building, or location of street intersections. The great increase of indefinite addressing has become a source of serious embarrassment to the postal service and affects the efficiency of service to the public. To facilitate prompt return of undeliverable letters to senders and as an example to the public with reference to the use of definite locations in return cards and original addresses, a ruling was made, April 27,

1914, requiring the name of street and number to be included in return cards printed by the department for post offices having city delivery service; or, in lieu thereof, the name of a building and room number therein, the names of intersecting streets, or a post-office box number. This ruling, it is felt, should have an excellent effect in reducing the amount of undeliverable mail.

NEW POSTAL CARDS.

The new 1-cent postal card to replace the No. 4 mentioned in the report for 1913 was first issued by the department and placed on sale in the Washington post office June 4, 1914. It is known as the No. 8 card, and the dimensions are 3¼ by 5½ inches (the same as the present No. 4 card). The paper is cream in color and is printed in green ink. The subject of the stamp is a profile portrait of Thomas Jefferson looking to the left. The background of the portrait is open and is surrounded with a circular border bearing in capital letters the words "U. S. Postal Card. One Cent." This border rests upon a base containing a curved ribbon in which appears the name "Jefferson," with the numeral "1" within an ellipse on end, on either side. To the left of the stamp in a horizontal line of Gothic capitals is the inscription, "This side of card for address" within a frame of plain lines having concave corners.

The No. 8 postal card is issued in sheets of 48 cards each for special printing when desired by purchasers in that form.

STAMPS FOR CHRISTMAS MAILINGS.

To meet the anticipated heavy increase in the demand for postage stamps for Christmas mailings under the new parcel-post law, instructions were published in the December supplement to the 1913 Postal Guide directing postmasters to carefully consider their probable needs and to draw special requisition for any stamps likely to be required in addition to their regular stocks. They were further authorized in emergencies to use postal funds in purchasing stamps from neighboring postmasters. In addition the postmasters at eight centrally located cities were supplied by the department with extra stocks of stamps, specially packed for mailing, which postmasters throughout the country were authorized to draw upon direct if their supplies became so depleted by unexpectedly large holiday demands that they could not await the filling of requisitions by the department. These measures were effective in preventing any embarrassment to the public or the postal service on account of shortage of postage stamps for the unprecedented Christmas mailings.

STAMPS FOR MILITARY AND NAVAL FORCES AT VERA CRUZ.

As soon as news was received of the probability of a military expedition to Vera Cruz, Mexico, steps were taken to provide postage stamps, postal cards, and stamped envelopes for the expeditionary forces. Stamps specially packed in paraffin paper to resist the humid atmospheric conditions of the Tropics were sent to the postmaster at Galveston, Tex., which city was made the base of military supplies. When a United States postal agent was appointed at Vera Cruz these

stamps were placed at his disposal, being shipped from Galveston upon the postal agent's telegraphic requisitions as needed for the use of the Army and Navy.

The suggestion was made that the stamps issued to the postal agency be surcharged "Vera Cruz" or otherwise, to indicate the special service for which they were used. The Postmaster General very properly took the ground, however, that as United States domestic rates and conditions of postage were made to prevail as to mail dispatched from the postal agency at Vera Cruz to the United States, no reason existed for a special stamp issue.

DIVERTED STAMP SALES.

The act of Congress approved March 9, 1914, provided:

> Hereafter, in determining the gross receipts upon which the salary of a postmaster shall be based, stamps, stamped envelopes, and postal cards sold in large or unusual quantities to any person to be used in mailing matter at other post offices, or in mailing matter diverted from other offices, shall not be included, whether the sale be made with or without solicitation by the postmaster.

This legislation gave the sanction of law to a regulation excluding diverted sales in establishing the salaries of postmasters. The practice of diverting stamp sales from one post office to another for the purpose of benefiting the selling postmaster constitutes a grave abuse, which the department is empowered by the statute quoted to correct.

The inauguration of the parcel post, however, has evolved a new condition with reference to stamp sales, in that many large manufacturers have sent their catalogues and merchandise by freight to centrally located distributing points for mailing at the low local rates of postage. It was held, and the Postmaster General so ruled in an order dated March 20, 1914, that stamp sales made by the mailing post office for use on such mailings should not be considered as diverted, and that these sales should be included in the gross receipts on which the postmaster's salary was based, provided the business was not brought to the selling post office for the purpose of increasing his salary or at his solicitation. A similar ruling was made as to commissions on cancellations of stamps on parcels brought to fourth-class post offices by freight or express for mailing.

The act of March 4, 1909, prohibiting the establishing of private expresses for the conveyance of letters, was construed as follows in order No. 7901 of March 20, 1914:

> Postmasters are not precluded by this section from accepting for mailing letters delivered to them by freight or express in bulk, provided each of such letters bears the return card of a person or firm located within the delivery limits of their offices, and provided further that each of such letters is duly directed and properly sealed and bears the proper postage. Under such conditions the office of mailing is construed to be the office of origin under the postal laws and regulations.

The purpose of these several rulings is to give the postal emoluments to the post office which does the work of handling mail under the conditions cited.

REDEMPTION OF STAMPED PAPER.

The redemption section received and disposed of 29,298 cases, involving $10,625,251.99.

REDEMPTION OF POSTAL-SAVINGS ISSUES.

The discontinuance of about 2,800 depositories at which little or no postal-savings business was done brought a heavy volume of extra work to the redemption section in redeeming the postal-savings deposit cards and stamps, certificates of deposit, and official stamps and stamped envelopes held by these depositories. In fact, the normal business of the redemption section was doubled by these redemptions.

NEW QUARTERS FOR DIVISION OF STAMPS.

On June 27, 1914, the Division of Stamps was moved from the inaccessible location and unsuitable quarters which it had occupied for seven years in the Annex building to commodious rooms on the second floor of the new post-office building. The change is a most welcome one, and contributes materially to the comfort and efficiency of the force.

STOCKS OF STAMP SUPPLIES.

On June 30, 1914, the Government's stocks of postage stamped paper available for issue at distributing agencies and subagencies consisted of 1,149,667,721 adhesive postage stamps, 368,421,300 stamped envelopes, 39,291,758 newspaper wrappers, and 388,303,100 postal cards.

REGISTRY SERVICE.

SUMMARY FOR THE YEAR.

The number of pieces of mail registered, insured, and sent C. O. D. during the fiscal years ended June 30, 1913, and June 30, 1914, is shown in the following statement:

Description.	1913	1914
REGISTERED.		
Paid registrations:		
Domestic letters	26,627,689	27,380,319
Domestic parcels	4,839,544	776,243
Foreign letters	4,303,798	4,740,612
Foreign parcels	808,952	692,671
Official paid	468,319	[1] 472,725
Total paid registrations	37,048,302	34,062,570
Official free	5,034,656	[2] 4,617,422
Distribution, reregistered free	1,406,214	[3] 1,359,143
Total number of pieces registered, paid, official free, and distribution free	43,489,172	40,039,135
Amount collected for registry fees	$3,704,830.20	$3,406,257.00

[1] The item "Official paid" represents official matter mailed free of postage, but on which the registry fee was paid, and official matter sent direct in through pouches by the Treasury Department branches free of postage, but for which the registry fee was paid, and consists of 5,182 domestic letters and 156,817 domestic parcels.

[2] The item "Official free" represents 23 registered letters and 156,048 parcels sent direct in through pouches by the Treasury and Navy Departments in addition to that registered on official business of the postal savings system and other official matter mailed free of postage and fees.

[3] Under the heading "Distribution reregistered free" is included matter which was reregistered free when "Forwarded," "Missent," "Returned to writer" or sent to the Fourth Assistant Postmaster General, Division of Dead Letters, whether or not the registry fee was originally paid.

Description.	1913	1914
INSURED.[1]		
Fourth class (domestic parcel post):		
Pieces mailed at 10-cent fee	2,595,185	997,375
Fees	$259,518.50	$99,737.50
Pieces mailed at 5-cent fee		12,366,084
Fees		$618,304.20
Total declared value		$126,517,081.98
COLLECT ON DELIVERY.[2]		
Fourth class (domestic parcel post)		2,994,600
Fees		$299,466.00
Amount to be remitted		$14,538,835.94
Money-order fees thereon		$168,262.04
Total paid registered, insured, and C. O. D. pieces	39,643,487	50,420,629
Fees	$3,964,348.70	$4,423,758.70

[1] Service inaugurated Jan. 1, 1913. [2] Service inaugurated July 1, 1913.

PAID REGISTRATIONS.

While there was a decrease of 2,985,732, or 8.06 per cent, paid registrations during the fiscal year 1914 from the number mailed the preceding year, there was an increase of 10,777,142, or 27.19 per cent, in the total number of pieces sent as registered, insured, and C. O. D. mail as compared with the fiscal year 1913 during which there was an increase of 1,729,753 pieces, or 4.56 per cent, over 1912. The decrease in paid registrations is attributable to the advent of the insurance service, coincident with which the privilege of registering fourth-class mail was withdrawn. As before the inauguration of the insurance feature about 7,000,000 pieces of fourth-class matter were registered, it will be seen that there has been an increase in the number of first-class pieces registered.

FREE REGISTRATIONS.

There were 4,617,422 pieces registered free during the year, which was 11.94 per cent of the total registrations paid and free.

The free registrations at the post office at Washington, D. C., during the year numbered 596,313, or 12.91 per cent of the total free registrations. However, 156,071 registered pieces were sent free in direct pouches by the Treasury and Navy Departments, which would otherwise have been registered at the post office at Washington, D. C., and which, if added to the number of free registrations at that office, would amount to 752,384 free registrations originating in Washington, D. C., or 16.29 per cent of the total free registrations of the country.

There were 171,497 pieces registered free on postal-savings business exclusively, or 3.71 per cent of the total free registrations.

MAILINGS AT 50 OFFICES DOING LARGEST BUSINESS.

At the 50 offices doing the largest registry business, those doing the largest insurance business, and those doing the largest C. O. D. business during the fiscal year 1914, the following number of pieces originated:

Description.	Number of pieces.	Percentage compared with all offices.
Registered (paid)	15,589,304	45.77
Insured	5,916,843	44.28
C. O. D	2,029,225	67.76

There is but a small change in the percentage of the whole number of pieces registered and insured at the 50 offices doing the largest business during 1914 as compared with the preceding year. Last year was the first for the C. O. D., and the fact that 67.76 per cent of the business originated at 50 offices is readily accounted for by the fact that this service is being enthusiastically patronized by mail-order houses. Chicago, the center of the mail-order business, originated 558,623 pieces, or 18.65 per cent of the total number mailed, for which $4,118,647.63 was to be collected, $4,079,662.84 to be remitted to senders, and $38,984.79 to be retained as money-order fees.

SPECIAL FEATURES OF THE REGISTRY, INSURANCE, AND C. O. D. SERVICES.

The following statement shows briefly the operations of the special registry, insurance, and C. O. D. features of the service during the fiscal year ended June 30, 1914:

City-carrier registrations.

Offices having city delivery service	1,761
Number of city carriers	32,292
Letters registered	398,371
Average city-carrier registrations for each office	226
Average registrations for each carrier	12

Rural-carrier registrations.

Offices having rural delivery service	18,444
Routes in operation	43,654
Number of rural carriers	43,537
Letters and parcels registered	792,706
Registered letters and parcels delivered	1,317,889
Registered articles handled in transit	263,958
Total registered articles handled	2,374,553

Insured and C. O. D. parcels accepted by rural carriers.

Insured	310,402
C. O. D	12,878
Total	323,280

Marine-carrier registration (Detroit, Mich.).

Number of pieces registered	50

Registrations on board United States naval vessels.

Paid	97,581
Free	432
Total	98,013

Parcels insured on board United States naval vessels.

Insured by Navy mail clerks at 5-cent fee	3,208
Insured by Navy mail clerks at 10-cent fee	672
Total	3,880
Declared value	$59,472.41

Registrations by sea-post clerks.

Number of pieces registered (paid)	1,217

Special official registrations.

Treasury and Navy Departments:	
Paid	161,999
Free	156,071
Total	318,070

INDEMNITY FOR LOST REGISTERED, INSURED, AND C. O. D. MAIL.

The following statement shows the number of domestic and international registry indemnity claims, and the number of domestic insurance and C. O. D. claims approved during the fiscal year ended June 30, 1914, the aggregate value of the lost registered mail, and the aggregate amount of indemnity involved, and the average amount of indemnity per piece:

Registered.	Number of claims.	Aggregate value.	Indemnity.	Average indemnity per piece.
Domestic indemnity:				
First-class mail	2,892	$99,806.67	$36,354.90	$12.57
Third and fourth class matter mailed prior to installation of parcel post on Jan. 1, 1913	383	2,561.41	2,313.46	6.04
Total domestic indemnity	3,275	102,368.08	38,668.36	
International indemnity:				
Lost in the United States	323	4,367.96	1,731.68	5.36
Lost in foreign countries	574	7,926.03	4,214.35	7.34
Lost in transit	2	11.25	3.75	1.87
Total international indemnity	899	12,305.24	5,949.78	

Insured and C. O. D. fourth-class (domestic parcel post) mail.	Number of claims.	Indemnity.	Average indemnity per piece.
Insured	11,640	$92,022.33	$7.91
C. O. D.	1,126	7,446.52	6.61
Total insured and C. O. D.	12,766	99,468.85	7.79
Entire period during which indemnity for lost insured mail was paid [1]	12,730	102,407.93	8.04

[1] Indemnity for lost insured and C. O. D. mail began with the inauguration of the insurance and C. O. D. services, respectively, Jan. 1, 1913, and July 1, 1913.

INSURANCE OF DOMESTIC FOURTH-CLASS (PARCEL POST) MAIL.

At the inauguration January 1, 1913, of the service providing for the indemnification of shippers of fourth-class domestic mail, a flat fee of 10 cents was charged, which insured an article against loss for its actual value not exceeding $50 in any case. Effective July 1, 1913, another rate was introduced which provided for the insurance of an article against loss for its actual value, not exceeding $25 in any case, upon payment of a fee of 5 cents.

During the fiscal year 1912 there were approximately 7,000,000 articles registered as fourth-class mail, and during 1913 practically the same number of articles of fourth-class matter was registered and insured, whereas during 1914 there were over 13,000,000 fourth-class parcels insured, an increase of 6,000,000 over each of the two immediately preceding years.

During 1913 the fee charged was 10 cents for either registering or insuring an article, and it is therefore evident that the major portion of the increase over 1913 is attributable to the new 5-cent rate of insurance, which makes the combined postage and insurance fee cheaper than express rates in nearly all cases, and the steadily increasing public recognition of the celerity, efficiency, and simplicity of the service. The rapidly increasing popularity of this service warrants the statement that within a year or two there will be more fourth-class pieces sent by insured mail than there is first class mail registered. The fact that a return receipt, showing delivery of the article, is furnished upon request is a feature which appeals to many shippers. Even though the service is quite young, rural carriers last year insured the same percentage of the total number of articles sent by this service as they registered in the case of first-class mail. The assumption is logical that during this year they will insure a much larger number. Much commendation has been received on the promptness with which the claims for indemnity are adjusted, the average time elapsing from the date of filing the claim being about one month.

COLLECT-ON-DELIVERY SERVICE.

The C. O. D. (collect-on-delivery) feature, which became effective July 1, 1913, provides that for the payment of a fee of 10 cents the sender of a domestic fourth-class article may have the value thereof, not exceeding $100, collected by the postal service from the addressee and remitted to him by money order, the fee for the money order being collected from the addressee in addition to the value stated by the shipper. If the sender desires, he may include the postage paid on the shipment in the amount to be collected, provided the total charge on the parcel (exclusive of the money-order fee) is not in excess of $100. The sender of a C. O. D. article is indemnified against loss not to exceed $50 in any case. However, it is not permissible to send, in a "dummy" or "fake" package containing no fourth-class matter, a bill, whether receipted or not, for the purpose of having the service collect a former debt, and the practice of sending C. O. D. articles to persons who have not ordered them is discountenanced. In some cases of the above character which have come to the attention of this office it has been held by United States attorneys that they constitute a scheme to defraud. As a money order is issued to cover the

returns on every piece sent as C. O. D. mail, the money-order business has been considerably augmented by the C. O. D. feature.

The articles for the transportation of which the C. O. D. service is employed are multifarious. It is widely used by the great mercantile tailoring houses of the Middle West for the distribution of their products principally throughout the South and West. Traveling men have found this feature of the service of peculiar advantage, and it is extensively used by laundries, pressing clubs, tailors, and craftsmen of all kinds who engage in repair work and who, by its means, have extended their business beyond a purely local area. Department stores, mail order houses, manufacturers, etc., have been quick to avail themselves of the opportunities it offers, and it is understood that the State of California uses the C. O. D. feature for the transmission of automobile licenses.

INDEMNITY FOR LOST INSURED MAIL FOR THE CANAL ZONE.

Arrangements were made with the postal administration of the Canal Zone, effective July 1, 1914, whereby fourth-class mail addressed to the Canal Zone may be insured or sent C. O. D. and the senders indemnified against loss within the limitations applicable to the domestic service. Heretofore no indemnity was paid for the loss of any such article unless it was established that the loss occurred while the piece was in the custody of the postal service of the United States.

IMPROVEMENTS IN THE SERVICE.

Many improvements have been made in the registry and insurance services, such as the establishment of the registered paper-jacket service with Canada; substitution of loose sheet registry records in lieu of bound books, and other changes in registry forms; utilization of firm registration books by the shippers of insured and C. O. D. mail, permitting the use of a short form of mailing tag; and the certification of indemnity claims to the Auditor on journal sheets instead of single cases or small groups.

PERSONNEL OF THE BUREAU.

The 437 officers and employees provided by law for this bureau (including the stamped-envelope agency at Dayton, Ohio) at salaries aggregating $558,610, are assigned as follows: To the immediate office of the Third Assistant Postmaster General, 9; Division of Finance, 24; Division of Postal Savings, 175; Division of Money Orders, 52; Division of Classification, 47; Division of Stamps, 81; Division of Registered Mails, 33; stamped-envelope agency at Dayton, Ohio, 16. Compared with the previous fiscal year there was a decrease of 16 in the number of clerks and $7,550 in aggregate salaries.

STATISTICAL DATA.

Appended to this report will be found tables of statistical data relating to the subjects of postal administration discussed in this report.

Very respectfully,

A. M. DOCKERY,
Third Assistant Postmaster General.

Hon. ALBERT S. BURLESON,
Postmaster General.

REPORT OF THE FOURTH ASSISTANT POSTMASTER GENERAL.

POST OFFICE DEPARTMENT,
FOURTH ASSISTANT POSTMASTER GENERAL,
Washington, October 12, 1914.

SIR: I have the honor to submit the following report of the Fourth Assistant Postmaster General for the fiscal year ended June 30, 1914:

The efforts of this bureau to cooperate in the policies formulated by the Postmaster General and announced in his annual report for last year have resulted in a systematic reorganization that has materially increased the usefulness and effectiveness of the service, improved operative conditions, and at the same time lowered the cost considerably more than a million dollars. The saving accomplished through the elimination of unnecessary employees within the bureau alone amounts to $193,380, while the cost of operation in the field has been reduced $930,000. Through the application of other improved methods, new mail facilities have been provided for not less than 600,000 people. The particulars of this general reorganization are set forth more fully under the paragraphs regarding the divisions concerned.

DIVISION OF RURAL MAILS.

Since the close of the fiscal year 1913 several important changes in the organization and methods of this division have been put into operation, with resulting increased effectiveness and material saving in running expense.

The work of the division now includes the establishment and supervision of the rural-delivery and star-route services; the appointment and supervision of the rural carriers, and, since April 15 last, the establishment and maintenance of experimental village delivery service.

RURAL DELIVERY.

An idea of the rapid development and importance of the service provided in the rural sections by the postal function of the Government may be formed from the fact that over 3,000,000,000 pieces of mail, varying in weight from a fraction of an ounce to 50 pounds and involving a total weight of well on to a half billion pounds, are delivered and collected annually at the very homes of the twenty-odd million people in the country districts, thus effectually breaking down the barrier of isolation that at one time prevailed in many places.

In order to extend the advantages of delivery service as much as practicable the regulations were broadened by an amendment to provide that all persons except those residing within the delivery limits of a town where city delivery service is in operation may be served by rural carriers. This will greatly enhance the utility of this service and incidentally simplify its administration.

The demand for the establishment of rural routes continued to be active, there having been presented to the department within the year 1,517 petitions for new service. In pursuance of the policy of expe-

diting action on these cases, as mentioned in the report of this bureau for the fiscal year 1913, the accumulation of old cases, some of which had been outstanding for several years, has been disposed of and the new cases now in the field represent matters which it is believed may properly be regarded as current. The "follow-up" system inaugurated last year has proved its value in securing prompt dispatch of business and its maintenance on a current basis. The number of rural routes established during the year was 860, as compared with 619 for the fiscal year 1913, 570 for 1912, and 608 for 1911.

The utilization of motor transportation by carriers is constantly becoming more general, and this opens up another avenue to improvement of the Rural Delivery Service and decrease in its relative cost. With this class of vehicles it is possible to cover at least twice the territory served by horse-drawn conveyances, and the routes could well be doubled in length. It must be remembered, however, that the cost of upkeep would ordinarily be greater and the work of the carrier materially augmented. In appropriate cases of this kind a reasonable increase in the carrier's pay would appear only just, but the department is without authority to grant it.

Owing to the isolated position of many of the mail boxes used in the rural service, and to the fact that the official character of these receptacles is not generally recognized, depredations thereon are not unusual, and section 198 of the Criminal Code does not adequately meet the situation. If in the trial of persons charged with injuring or destroying mail boxes on mail routes the necessity for establishing the fact that the Postmaster General has approved such boxes were removed the law would be much more efficacious. The security of the mails demands that these conditions be remedied.

RURAL CARRIERS.

One of the most important problems affecting the rural service that the department has before it is the pay of rural carriers. The enlargement of this service has led into such a contrast of conditions that gross inequities in remuneration have arisen under the single-basis schedule that has been in operation for so many years, which regarded length of route alone as the measure of compensation. It will be seen readily that, other things being equal, a carrier serving a 24-mile route through a densely populated section, necessitating numerous stops and with the bulk of mail correspondingly large, has a more difficult task than one traversing a route of the same length through a sparsely settled region. Then, too, considerably more time is required to serve a route over rough, hilly roads than over well-kept macadam highways. Very many instances of glaring injustice and of excessive expenditure of public funds not warranted by the returns came to the notice of the department, and these disparities have been intensified by the development of the parcel post.

It was with a view to correcting these evils that the department set itself to the task of devising a new plan of remuneration that would establish as close a relation as possible between service and compensation. The maximum salary of $1,200 per annum now allowed by law is believed to be quite liberal, and it does not seem

wise policy or fair to carriers who really earn that amount—not to mention the public, on whom the whole expense falls—that those from whom much less actual service is derived should be permitted to draw an equal amount of pay merely because the length of their routes is the same.

Much consideration has been devoted to the idea of substituting contract service for the present carrier system. Most of the data at hand points to the fact that a contract system similar to the star-route service is not only thoroughly practicable, but that it would be tremendously more economical than the current method. There seems to be little room for doubt that a saving of from fifteen to twenty million dollars a year would result from a general replacing of salaried carriers by contractors. As the department is now without authority to make this transfer in system, I recommend that definite action be taken in this direction. At the same time, however, the alternative seems to be to construct and apply an improved pay schedule until such time as it may be found practicable to utilize contract service.

The proposition required so much study and investigation that it was not feasible to formulate a new rule before the close of the fiscal year under review, but the subject is of such importance at this time that the inclusion in this report of the revised pay schedule about to be placed in operation, which takes into account not only the length of route covered but also the number of pieces and weight of mail carried, as well as the time required to serve the route, is believed to be almost mandatory. Therefore a copy of the order promulgating it is appended:

Order No. 8246, of July 14, 1914, is amended to read as follows:

On and after November 1, 1914, the compensation of rural carriers shall be based upon the length of the routes, the time required to serve them in accordance with the authorized official schedules, and the number of pieces and the weight of mail carried, as shown by the records of the department.

The rates of pay shall be computed and fixed according to the following schedule:

Schedule.

Length of route.	Salary base.	Pieces of mail per month.	Pounds of mail per month.
4 miles and less than 6 miles	$480	3,000	400
6 miles and less than 8 miles	528	3,700	490
8 miles and less than 10 miles	576	4,400	580
10 miles and less than 12 miles	624	5,100	670
12 miles and less than 14 miles	672	5,800	760
14 miles and less than 16 miles	720	6,500	850
16 miles and less than 18 miles	840	7,200	940
18 miles and less than 20 miles	960	7,900	1,030
20 miles and less than 22 miles	1,080	8,600	1,120
22 miles and less than 24 miles	1,152	9,300	1,210
24 miles and over	1,200	10,000	1,300

An increase or decrease of $12 per annum shall be made for each 1,000 pieces and for each 100 pounds, respectively, greater or less than the schedule, with an allowance of $12 per annum for each closed pouch or closed sack of mail carried per day, and also for each full mile of route served in excess of 25 miles in length: *Provided*, That no carrier shall be reduced in compensation below the schedule in effect June 30, 1914, because of this order, and that $1,200 per annum shall be the maximum salary.

A carrier serving one triweekly route shall be paid on the basis and subject to the above conditions for a route one-half the length of the route served by him, and a carrier serving two triweekly routes shall be paid on the basis and subject to the above conditions for a route one-half the combined length of the two routes.

In addition to the foregoing the following are hereby established as the official time bases for serving routes, and shall begin with the time of leaving and end with the time of return to the office or station:

Time bases.

Length of routes.	Time base.
24 miles and over	6½ hours a day.
22 miles and less than 24 miles	6 hours a day.
20 miles and less than 22 miles	5½ hours a day.
18 miles and less than 20 miles	5 hours a day.
16 miles and less than 18 miles	4½ hours a day.
14 miles and less than 16 miles	4 hours a day.
12 miles and less than 14 miles	3½ hours a day.
10 miles and less than 12 miles	3 hours a day.
8 miles and less than 10 miles	2½ hours a day.
6 miles and less than 8 miles	2 hours a day.
4 miles and less than 6 miles	1½ hours a day.

When under the present or future schedules as fixed by the department additional time is required to serve any route, the carrier shall be entitled to $12 per annum for each one-half hour thus authorized in excess of that named in the time base.

The compensation of carriers on newly established routes shall be at the rates in effect June 30, 1914.

The method of appointment of rural carriers has been modified so that the highest rated eligible certified for a vacancy is now selected unless there are good and valid reasons why such selection would not be in the interests of the service. Careful attention has been given to these appointments, in order that the eligibles selected shall be those whose business and other equipment is likely to reflect credit on the department.

The amendment to regulations which provides that rural carriers shall not be required to report for duty on Sundays except when their services are urgently needed ought to make for contentment in the service, with consequent increase in cooperative spirit, so essential to efficient administration.

The total number of rural carriers in the service on June 30, 1914, was 43,531, an increase of 849 over the number employed the same date last year. Their aggregate pay was $46,276,626, an average of $1,063 per carrier.

There have been 2,326 separations from the service during the year just closed, of whom 1,731 resigned, 220 died, and 375 were removed. Separations for the previous year aggregated 2,016.

RURAL ROUTES.

On June 30, 1914, 43,652 rural routes were in operation, an increase of 847 over the preceding year.

Routes to the number of 860, with an aggregate length of 20,004 miles, were established during the year, requiring the services of 842 additional carriers, while 13 routes, aggregating 302 miles, served by 12 carriers, were discontinued, leaving the net increase 847 routes, 19,702 miles, and 830 carriers. An addition of 19 carriers besides the above was occasioned by changes in frequency of service.

During the year 142 triweekly routes were established, while 5 were discontinued, 12 daily routes were changed to triweekly, and 83 routes were changed from triweekly to daily, with the result that at the close of the fiscal year there were 811 triweekly routes in operation.

On June 30, 1914, the total length of rural routes in operation was 1,060,679 miles; the daily travel 1,050,266; and the annual travel 322,431,662 miles. The average length of routes was 24.3 miles, the average cost per mile of routes $43.63, and the average cost per mile of travel was $0.1435.

The actual cost of the new service established during the year was $238.911, the annual rate being $802,267. The actual saving because of the routes discontinued was $5,902, and the annual rate $10,494. The net increase in actual cost was, therefore, $233,009, and the annual rate thereof $791,773.

During the year 289 routes were curtailed at an actual saving of $11,963.84, the annual rate being $24,684. On the other hand, 1,050 routes were extended at an actual cost of $32,559.81, and an increase in the annual rate of $92,649.

Triweekly routes to the number of 83 were made daily at an increase in the actual cost of $7,401.75, and an increase in the annual rate of $40,370, while 12 routes were converted from daily to triweekly at an actual saving of $1,808.35, and an annual saving of $4,730.

The following table shows the growth of the Rural Delivery Service by years since its inception and the expenditure involved:

Fiscal year.	Routes.[1]	Increase in routes.	Appropriation.	Expenditure.	Increase in expenditure.
1897	82		$40,000	$14,840	
1898	153	71	50,250	50,241	$35,401
1899	412	259	150,032	150,012	99,771
1900	1,259	847	450,000	420,433	270,421
1901	3,761	2,502	1,750,796	1,750,321	1,329,888
1902	8,298	4,537	4,089,075	4,089,041	2,338,720
1903	15,119	6,821	8,580,364	8,051,599	3,962,558
1904	24,566	9,447	12,926,905	12,645,275	4,593,676
1905	32,110	7,544	21,116,600	20,864,885	[2] 8,219,610
1906	35,766	3,656	25,828,300	25,011,625	4,146,740
1907	37,728	1,962	28,200,000	26,661,555	1,649,930
1908	39,277	1,549	34,900,000	34,371,939	[3] 7,710,384
1909	40,628	1,351	35,673,000	35,661,034	1,289,095
1910	41,079	451	37,260,000	36,914,769	1,253,735
1911	41,656	577	38,860,000	37,125,630	210,861
1912	42,199	543	42,790,000	41,859,422	[4] 4,733,792
1913	42,805	606	47,000,000	45,642,766	[5] 3,783,344
1914	43,652	847	47,500,000	47,377,070	1,734,304

[1] Apparent discrepancies between the figures in this column and in the corresponding column headed "Carriers" in previous annual reports are due to having been taken for periods other than fiscal years.
[2] Maximum salary of carriers increased from $600 to $720 per annum.
[3] Maximum salary of carriers increased from $720 to $900 per annum.
[4] Maximum salary of carriers increased from $900 to $1,000 per annum.
[5] Maximum salary of carriers increased from $1,000 to $1,100 per annum.

STAR ROUTES.

On June 30, 1914, there were in operation 11,970 star routes, aggregating 153,350 miles in length, as compared with 12,432 routes of an aggregate length of 157,705 miles on June 30, 1913. This was a decrease of 462 routes and a decrease of 4,355 miles. The annual travel on June 30, 1913, was 83,257,062 miles, and on June 30, 1914,

was 81,533,998 miles, a decrease of 1,723,064 miles. The average number of trips per route per week was 5,112, an increase of 0.036.

On July 1, 1913, there were in operation 12,333 star routes, with a total of 157,197 miles in length. During the fiscal year 452 routes, aggregating 5,046 miles, were established, and 815 routes, with an aggregate length of 8,117 miles, were discontinued. During the same period 157 routes, representing an annual cost of $60,624 and aggregating 1,433 miles in length, were discontinued on account of the establishment or extension of rural delivery.

The annual rate of cost for this service on June 30, 1914, was $7,622,434 (of which $565,981.72 was due to allowances on account of parcel post), an increase of $455,987; the average cost per mile of length of routes was $49.71, an increase of $5.02; the average cost per mile of travel was $0.0935, an increase of $0.0089.

The fines and deductions from the pay of contractors during the year amounted to $25,802.74, the remissions to $360.99, leaving net deductions aggregating $25,441.75.

CONTRACTS FOR STAR ROUTES.

The letting of contracts for star service in the fourth contract section, which includes 4,500 routes out of a total of 11,697 in operation, was attended by considerable difficulty owing to apprehension on the part of bidders as to the effect of the operation of the parcel post. The fourth contract section consists of Arkansas, Louisiana, Texas, Oklahoma, Kansas, Nebraska, South Dakota, North Dakota, Montana, Wyoming, Colorado, New Mexico, Arizona, Utah, Idaho, Washington, Oregon, Nevada, California, and Hawaii, and includes much territory that is remote from railroad facilities and many routes on which large quantities of parcel matter are conveyed. To meet the changed conditions a plan was adopted on many of the routes on which it appeared that heavy mails were being transported of advertising for the carrying of first and second class mail and perishable parcel-post mail on the regular expedited schedule at a flat rate per annum, and the conveyance of third and fourth class (parcel post) mail on a slower schedule at pound rates. This plan has proved to be advantageous to bidders, as it affords a better basis for bids, and its adoption has enabled the department to obtain reasonable rates for the service required. It is evident that a tremendous saving will be effected by this method of letting contracts, probably not less than $500,000.

In connection with the letting of these contracts for the four-year term beginning July 1, 1914, it was found that many of the bidders were asking exorbitant rates to perform the required service. For the protection of the Government it would appear that the Postmaster General under such circumstances ought to be clothed with authority to provide the service as he might deem expedient.

The department also experiences much difficulty in providing temporary star service when, through failure of bidders or contractors or other cause, contracts for regular service in accordance with the law can not be obtained. This is due largely to the fact that the law forbids temporary employment for such service at a higher price than that paid the last preceding contract term; also, to the requirement of law that the rate of pay in such cases shall not exceed the amount of the bond accompanying the proposal for such service.

In order to maintain properly the service on star routes it ought to be possible for the department to provide temporary service whenever necessary at the best terms possible.

Under existing law when a contractor on a mail route fails to compensate a carrier for service performed for such contractor within two months after the expiration of the quarter in which such service shall have been performed, the Postmaster General may cause the amount due to be paid to the carrier and charged to the contractor. To wait two months after the expiration of the quarter in such cases imposes undue hardship upon the carrier, to whom it would be a great help if the Postmaster General were authorized to act as indicated when two months had elapsed after the expiration of the *month* rather than the quarter in which the service was performed.

Payments of amounts due to star route and other mail contractors are now made through warrants issued by the department after monthly reports of performance of service have been received and examined and the accounts submitted to the auditor for certification. Under this plan it is not possible to make payments to contractors until long after the service has been performed. This is especially true in the case of contractors in the far Western States and Hawaii. These payments would be greatly expedited if under proper administrative restrictions as to penalties, deductions, etc., one postmaster in each State where the service is performed were permitted to make them.

Section 3949 of the Revised Statutes provides that all contracts for carrying the mail shall be awarded "without other reference to the mode of transportation than may be necessary to provide for the due celerity, certainty, and security thereof." Since the development of the automobile, which is assuming an important place in postal transportation, it has been found that the limitations of this provision hamper administration of the star service to the best advantage. It is believed the public interests would be subserved more fully if the department could specify the mode of transportation when deemed advisable.

PARCEL POST AND WEIGHINGS.

The extension of weight limits and the reduction in rates of postage on parcel-post matter have rendered the rural mail facilities particularly available for the transportation of farm products and merchandise. Thus far the increased business has been handled expeditiously, and on the whole very satisfactorily. Indeed, it was found practicable to permit postmasters at offices of the second class to utilize the services of rural carriers in the delivery of parcels to city residents during the holiday season, thereby greatly facilitating prompt dispatch of business at that period and preventing congestion and delay.

To ascertain the increase in volume of mail on rural and star routes during the year, due to extension of the weight limit, weighings were conducted on star routes from August 1 to 15, 1913, and on both rural and star routes during the months of October and November, 1913, and from April 15 to June 15, 1914. The reports of these weighings are used for making readjustments in the pay of star route contractors on routes where material increases in weight of

mails are shown to be due to the operation of the parcel post, in accordance with the provisions of the postal appropriation act for the fiscal year 1913.

From the record kept in all rural delivery offices during October and November, 1913, of the mail of all classes delivered and collected by rural carriers, the following estimates have been made of the number of pieces and weight of mail handled annually on rural routes:

Class of mail.	Delivered.		Collected.		Total.	
	Number of pieces.	Weight (pounds).	Number of pieces.	Weight (pounds).	Number of pieces.	Weight (pounds).
First	791,810,988	16,887,642	394,767,852	8,165,142	1,186,578,840	25,052,784
Second	1,387,440,498	257,893,896	3,286,950	787,698	1,390,727,448	258,681,594
Third	457,796,268	55,807,170	6,095,502	953,490	463,891,770	56,760,660
Fourth	45,840,138	71,464,722	6,312,138	11,166,678	52,152,276	82,631,400
Grand total	2,682,887,892	402,053,430	410,462,442	21,073,008	3,093,350,334	423,126,438

EXPERIMENTAL VILLAGE DELIVERY.

The establishment of this service is authorized at villages and towns having post offices of the second and third classes that are not by law entitled to free delivery service. The department requires that in towns where the service is instituted there shall be sidewalks, street lights, street signs, and house numbers, and that the patrons shall provide receptacles for the mail. Since the service was assigned to this bureau special attention has been given to the feasibility of utilizing the services of rural carriers to deliver mail to residents of villages, the regulations having been amended so as to permit such delivery. In many towns where the village service is established, rural carriers are rendering service in conjunction with the village carriers, and it is expected that in the smaller villages having post offices from which rural routes are operated, the rural carriers will be able to serve without assistance all patrons who desire to be accommodated. In order that extra compensation may be given to rural carriers in cases where such service adds considerably to their work it is desirable that authority be obtained for such payment out of the appropriation for village delivery service, the additional compensation not to exceed $150 per annum in any individual case. This improved method of administering the experimental delivery service would greatly decrease its cost.

Reports received at the department, however, show that in most of the towns where the experimental service is operated the postal receipts have not been stimulated thereby and that, especially in villages where there are several mail trains daily, the patrons continue to call at the post offices for a large proportion of their mail. The average population of the towns where the service is established is less than 2,000, and the number of persons residing any considerable distance from the post offices in these towns is small. It would thus appear that the village delivery service does not constitute any great convenience for the patrons. Furthermore, the cost of operating the service is heavy when compared with the benefits derived.

An inspection of this service has been directed at each office where it has been in operation for more than six months, and it is expected that by next December full information will be at hand which will be of great service to Congress in determining the advisability of continuing the experiment.

On June 30, 1914, the experimental service was in operation at 124 offices (22 of the second class and 102 of the third class), and there were 164 carriers employed.

FOURTH-CLASS POST OFFICES.

During the fiscal year 1,185 offices were established and 2,371 were discontinued. Of these discontinuances 719 were on account of extensions of rural delivery, the compensation of the postmasters at such offices aggregating $59,921.55 per annum.

There was evident general dissatisfaction with the division of duties between bureaus with respect to post offices of the fourth class. Their establishment, discontinuance, and change of site have been worked out through the Division of Rural Mails of the Fourth Assistant's Office, while the appointment of the postmaster, an operation almost inseparable from the establishment of the office, has been made through the Division of Postmasters' Appointments in the First Assistant's Office. The difficulty has been met by transferring the establishment, discontinuance, and change of site functions to the First Assistant's Bureau, thus consolidating the administration of this closely related work in one office. This arrangement became operative after the close of the fiscal year under discussion, but it is deemed necessary to mention the change in order to avoid possible confusion.

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DIVISION OF DEAD LETTERS.

In reviewing the affairs of the Division of Dead Letters for the fiscal year 1913–14, attention is invited to the radical changes in the methods of handling undeliverable and unclaimed mail that were made during the year, and to the fact that a more efficient, expeditious, and economical service has been established for the disposal of letters and parcels of that character.

CHANGES IN METHODS—IN THE FIELD.

In the first month of the year—July, 1913—the Postal Laws and Regulations were amended so as to require the direct return from post offices of address to foreign postal administrations through the respective exchange offices of all prepaid undeliverable foreign matter formerly sent to this division. The delay in returning such matter to other countries incident to sending it to a central office, and at a considerable expense for transportation, consequently was avoided.

The marked increase in unclaimed merchandise and articles found loose in the mails following the inauguration of the domestic parcel post service emphasized the necessity for changes in the existing involved and expensive methods, which required the trans-

portation to Washington, subsequent examination and recording of many thousands of unsealed inclosures. Provision was made, therefore, for the sending of such matter to post offices located at the respective 15 division headquarters of the Railway Mail Service from the places where it was found to be undeliverable, to be held on storage for a period of one year awaiting reclamation before disposal by sale. No additional expense for clerical force in post offices was incurred by this change, but, on the contrary, a large saving in the cost of carrying mail was effected without impairing the efficiency of the service.

For many years the practice had prevailed of transmitting at once to the department all letters addressed to Canada on which the postage had not been prepaid. Such letters were recorded and notices of detention sent to the addressees. To expedite the delivery of these letters the practice was discontinued in August, and postmasters were directed to treat unpaid letters intended for Canada in the same manner as held-for-postage domestic letters, the foreign stamps received therefor to be forwarded to the Division of Dead Letters and there exchanged for domestic stamps. Delay and cost of transportation were both eliminated in this instance, and the service of a clerk whose time was taken in the treatment of this matter was saved without increased cost of the work elsewhere.

CHANGES IN METHODS—IN THE DIVISION.

Employees in returning letters had, under former instructions, directed them to the senders in cities, except 10 of the larger offices, even though their local addresses had not been furnished. An examination of such letters when finally returned to the division as undeliverable to the senders disclosed the fact that thousands of unimportant communications were being reenveloped and addressed without a possibility of securing their restoration to the writers. The number of cities to which letters containing correspondence only are not to be returned unless they disclose a local address consequently was increased to 56. This has resulted in a clear saving of clerical work in the division.

With the beginning of the fiscal year the old and expensive method of recording valuable letters in bound books was discontinued and a modern card-index system adopted which provides at a minimum cost a more accessible and elastic record, specially adapted to the fluctuating requirements of the service.

DISPOSAL OF DEAD MAIL.

Under the provisions of an amendment to the regulations the period for recovery by the sender or addressee of parcel-post matter (merchandise) was limited to 12 months from the date of storage, and the objectionable lottery features of selling merchandise in closed parcels by auction to the general public were eliminated. Articles which thus became by operation of law the property of the Government were prepared this year at less expense for sale in large lots to dealers in such commodities, who were permitted to inspect and appraise the articles offered before purchase. The net proceeds of

the several sales by this method amounted to $12,324.87, or $4,135.87 more than for the preceding year.

When unclaimed and undelivered letters forwarded to the department are found to contain valuable inclosures it is necessary under the law to dispose of their contents, after due record, and to retain the proceeds for four years subject to reclamation. This is regarded as an excessive period, as it is rare, if ever, that restoration is made after the lapse of one year. The useless accumulation and care of this property is believed to be very undesirable and could be avoided largely by the reduction of the reclamation period from four years to one.

LABOR-SAVING DEVICES.

As far as conditions permitted, mechanical devices designed to facilitate and expedite the work have been utilized, and with good results. Formerly dead letters were opened by hand, the employees using knives that were supplied for the purpose, and the openings averaged for each person about 2,000 per hour. This work is now done by two small motor-driven machines, each capable of opening 10,000 letters an hour. Within the year a new device for sealing letters was also installed, by which approximately 6,000 envelopes may be sealed hourly, while the average number sealed by an individual by hand is between 800 and 900. Typewriting machines with automatic feed attachments adapted to addressing letters and writing index cards have caused a decided increase in the average number of letters returned by the operators. With the employment of these progressive measures there is, of course, an attendant reduction in service cost.

PREPAYMENT OF POSTAGE ON FOREIGN MAIL.

Of the letters mailed in this country for addresses abroad and returned as undeliverable nearly 65,000 posted without stamps affixed bore inscriptions indicating emanation from the same source, a business firm in one of the larger cities. They were mailed evidently with the intention of avoiding the payment of postage. At the suggestion of the inspection service these letters were forwarded to the post office of origin, where they have been held awaiting the payment of $4,638.34 for their return.

To preclude further abuses of this kind, an order was issued January 31, 1914, providing in effect that the regulation authorizing transmission of unprepaid mail to foreign addresses shall not apply to letters or other matter mailed with the apparent intention of evading payment of postage by the sender.

VOLUME OF MATTER HANDLED.

The total number of pieces of mail found to be undeliverable by postmasters received in this division during the year was 12,082,342, a decrease of 1,506,883, or 11 per cent. Of this total 925,564 originated in foreign countries.

Letters mailed in this country for delivery abroad and returned therefrom as unclaimed or refused aggregated 633,891. These in-

cluded the 64,444 letters referred to in a separate paragraph of this report. Parcels posted for transmission to other countries but not properly prepared for transmission by the international parcel post, or which contained articles prohibited by the postal service of the administration addressed, numbered 17,142.

Unclaimed and other letters of domestic origin for delivery in the United States that were turned in to this division reached a total of 11,077,674, and were classified as indicated below:

Unclaimed	9,492,544
Misdirected	742,600
Hotel addresses	398,600
Fictitious addresses	80,400
Held for postage	249,819
Unaddressed (including money and stamps found loose in the mail)	112,878
Missent to the division	833
Total	11,077,674

Inclosures of money were found in 70,233 letters, and amounted to $68,343.74. Of these letters, 38,010, containing $51,305.40, were returned for delivery to the owners after ascertaining their identity. Money orders, drafts, promissory notes, and inclosures of commercial papers were found in 93,414 letters, of a nominal value of $2,848,891.01. Letters and parcels containing miscellaneous articles of merchandise numbered 67,273, and inclosures of postage stamps, amounting to $15,526.10, were received. Photographs were inclosed in 102,793 letters.

DIVISION OF EQUIPMENT.

Accumulated experience and observation of the workings of changes made a year ago have dictated a further modification in organizational plans. By an enlargement of the functions of the equipment branch of the Division of Supplies and its establishment as a separate division it was believed the business could be handled more expeditiously and with a greater degree of coordination between the different branches of the bureau. Accordingly, on July 25, 1914, or shortly after the beginning of the current fiscal year, this change was put into effect. Under the creative order the term "equipment" was extended to cover, besides mail bags, all mechanical appliances of a nonexpendable character furnished to the Postal Service. Among the duties of the division are the furnishing of equipment to the Postal Service, the designing of such new equipment as may be deemed necessary, the performing or directing of research and experimental work in connection therewith, and the preparation of specifications for equipment.

Report on these matters for the past fiscal year, as far as this bureau was concerned, is presented under the operations of the Division of Supplies, which then had immediate supervision over most of them.

* * * * * * *

Respectfully,

JAS. I. BLAKSLEE,
Fourth Assistant Postmaster General.

Hon. A. S. BURLESON,
Postmaster General.

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